

FINANCIAL TIMES

World News

Business Summary

Banned IRA fund-raiser arrested in N Ireland

Leading US fund-raiser for Irish Republicans Martin Galvin, director of Norrad, was arrested in Northern Ireland after breaching a British Home Office order banning him from Britain for "encouraging violence".

Tiphook and Stena offer \$1bn for Sea Containers

TIPHOOK, UK container rental company, and Stena, private Swedish ferry operator, increased their hostile bid for Sea Containers to more than \$1bn in cash and indicated it could be their final offer.

Kremlin concerned

A series of Soviet newspaper articles and reports revealed the Kremlin's growing concern about recently renewed ethnic tensions both in the southern territory of Nagorno-Karabakh and in the Baltic republics.

Pope accuses Syria

Pope John Paul II accused Syria of wanting the destruction of Lebanon and said "genocide" was taking place.

US drug crackdown

President Bush said he might send US troops to other countries if invited to fight drugs and did not rule out seizing Panamanian military leader Manuel Noriega to face US drug charges.

Missionary death

Philippine troops stormed an army jail and killed 16 prisoners after the inmates raped and killed an Australian missionary and shot dead four other hostages.

Sri Lanka protest

All Government offices and banks were closed in Colombo following a 24-hour "national protest" sponsored by the extremist Sinhalese JVP to mark Indian Independence Day.

Gandhi 'traitor' jibe

Mr Rajiv Gandhi, India's Prime Minister, used the occasion of the country's Independence Day celebrations to attack the opposition parties, describing some of their members as "traitors".

Setback in Surinam

Attempts to end a three-year rebel insurrection in Surinam have been set back by a refusal of the rebels to turn in their arms.

China crash kills 33

A Chinese passenger plane crashed near Shanghai airport killing 33 people.

US pardons Hammer

President Bush signed a pardon for Occidental Petroleum's Chairman Armand Hammer who had pleaded guilty to making illegal contributions to President Richard Nixon's 1972 campaign.

Kabul airport hit

Afghan rebels blasted Kabul airport with a rocket barrage early on Tuesday, narrowly missing an incoming airliner.

SA tour talks

South African anti-apartheid sports leaders had talks with British Government officials in a bid to stop a rebel English cricket tour of their country.

Mark of mourning

Japan's Emperor Akihito and newly installed Prime Minister Toshiki Kaifu led the nation in a moment of silence to mark the 44th anniversary of the end of World War II.

MARKETS

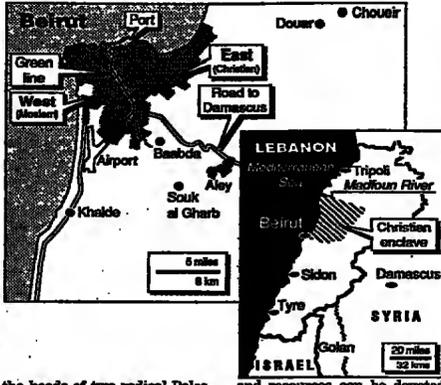
Table with market data including Sweden, Sterling, Dollar, and Interest Rates.

Table with stock indices including New York, London, and Frankfurt.

UN seeks urgent meeting as tension builds in Beirut

By George Graham in Paris, Lara Marlowe in Damascus and Andrew Gowers in London

MR Javier Perez de Cuellar, the United Nations Secretary-General, yesterday called for an urgent meeting of the Security Council to halt the fighting in Lebanon as Syria appeared to be preparing for a serious escalation of its conflict with Lebanese Christian forces.



In Damascus yesterday, the Syrian Government held what appeared to be a council of war involving the Iranian Foreign Minister and almost all the two countries' Lebanese and Palestinian allies, at which they discussed stepping up the confrontation with Major-General Michel Aoun, the Christian army commander.

Jaruzelski to hold summit over deadlock

By Judy Dempsey in London

POLAND'S President Jaruzelski yesterday intervened in the country's deepening political crisis by calling a summit meeting between the ruling Communist Party, the minority parties and Solidarity.

Bush urges Iranian 'signal' over hostages

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush yesterday urged Iran to send "a clear and good signal" of its desire to improve relations with the US by securing the release of the American hostages held in Lebanon.

looking for signs of positive change in Iran. "Now we see the new leaders and we hear different signals, some in the old mode and some that offer new hope. A clear and good signal would be the release of the American hostages. I just hope that the positive signs prevail there because there are some and they are encouraging."

De Klerk predicts era of peace as ANC pledges more violence

By Patti Waldmeir in Johannesburg and Nicholas Woodsworth in Lusaka

MR F.W. de Klerk, who was sworn in yesterday as acting president of South Africa, moved immediately to rally support behind him by saying that his country was on the threshold of peace.

The latest ANC threat may embarrass both Mr de Klerk and Mr Kaunda, and could influence the South African leader's final decision on whether to travel to Zambia. Mr de Klerk said yesterday he saw no reason why his meeting should not take place, but warned that his new responsibilities could lead to a change of plan.

Now you're talking health and efficiency.

Advertisement for Nokia Data featuring a computer terminal and text describing its benefits: "You're talking flicker-free mono and colour terminal screens, so less eyestrain and headaches..."

CONTENTS

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EUROPEAN NEWS

Violence marks Kurdish rebel anniversary

Jim Bodgener looks at a campaign of terror in the rocky terrain of south-east Turkey

VILLAGES clustered in the rough foothills of south-eastern Turkey are gripped with fear as Kurdish rebels continue to step up their campaign of raids and attacks to mark yesterday's fifth anniversary of the separatist movement.



A solitary Turkish soldier stands guard on a hilltop over a small community in Van province where Kurdish rebels have conducted a campaign of raids and attacks from their mountain bases

Suspected Kurdish guerrillas from the Marxist Partiya Karkeran Kurdistan (PKK Kurdish Workers' Party) yesterday killed six hostages, kidnapped 12 others and burned down four village schools in south-east Turkey.

Only at daybreak did the soldiers rally out in force. "They are supposed to protect us, but they do nothing," complained one of Hisar's 700 inhabitants bitterly. "We are caught between two fires. If we support the Government, the PKK will kill us. If we supply and spy for the PKK, the government punts us in jail. Which is the better choice?"

lar uprisings in 1985, disappointment hardened into fierce determination towards establishing a separate state for Turkey's 5m-strong Kurdish minority. Official policy does not recognise Turkey's Kurds as an ethnic minority but as Turkish citizens.

Attacks on soft civilian "collaborators" like village militia and their families gradually predominated in a reign of terror over military targets in this poverty stricken region, culminating in several ferocious massacres in 1987.

As part of a concerted wave of attacks, a second group of Kurds raided Nispet village in Cukurca township, shot two villagers dead and abducted five youths while a third group raided Ovecek village in Catak, killing a village guard and burning the village's primary school and health centre.

BULGARIA yesterday accused Nato of interfering in the country's internal affairs by calling on Sofia to respect the human rights of its ethnic Turkish minority, AP reports from Vienna.

between Bulgaria and Turkey over hundreds of thousands of ethnic Turks who have left Bulgaria over the past three months, claiming they are fleeing an assimilation campaign.

Democracy hope for Hungary HUNGARY'S NEW leader, Mr. Rezo Nyers, conceded that the ruling Communist Party could go into opposition if it loses multi-party elections due in 1990, but it is more likely to seek a role in a joint government.

Estonian strikers vote to extend stoppage

A STRIKE by Russian workers in Estonia spread yesterday despite a conciliatory assurance by the republic's Communist Party leader that the strikers would not be punished.

In another conciliatory statement, Mr. Valjas said the Estonian government had made some mistakes and had acted at times "with unjustified haste," Ivestia said.

The Communist Party daily Pravda yesterday denounced the Popular Front of Estonia and Latvia and the Socialist movement of Lithuania, saying they had become too nationalistic and were allowing anti-Soviet activities and "bourgeois" practices.

Eastern Bloc youth 'will not' solve skill shortage in West

By David Goodhart in Bonn

THE THOUSANDS of mainly young and well-qualified East Germans now being sent into the West Germany will not solve the latter's emergent skills shortage nor will they be the pliable, cheap labour that some employers have been expecting, according to a senior official in the Federal Labour Office in Nuremberg.

Such optimistic views are described as "dangerous ideology" by Mrs Engelien-Kefer on the grounds that they tend to overlook the integration difficulties experienced by immigrants, especially those from other parts of Eastern Europe who have bigger families and language problems.

Discouraging political action to support integration indirectly encourages the far-right Republican Party, she added. This year the labour office will spend about DM50m (31m) on training and retraining the immigrants - about DM2.2bn of this will go on language courses.

Such views have been supported by an official of the engineering union, who said that East German welders were often highly skilled but had never used automatic welding equipment. The official also said that most East German immigrants are young, single, and well qualified - skilled workers, technicians and graduates - but says they often over-evaluate their skills which were gained in the relatively backward economy of East Germany.

SPD's environment plan under government attack

By David Goodhart in Bonn

WEST GERMANY'S campaign for the 1990 general election was yesterday declared open, at least in the increasingly important field of the environment, when Mr Klaus Töpfer, Environment Minister in the centre-right government, sharply criticised the Social Democrats' plans for an ecological overhaul of the economy.

data, on raising petrol tax has also been criticised by the unions as being both regressive and ineffective. Union officials say that in a relatively rich country, such policies will not persuade people to drive less but instead will adversely affect those on lower incomes.

Growth in Sweden hit by shortage of skilled labour

By Robert Taylor in Stockholm

AN ACUTE shortage of skilled workers is now having a severe effect on Sweden's growth rate, according to the 1990 economic forecast published yesterday by Sparbanken, the country's biggest savings bank.

Sparbanken believe that the country's annual inflation rate will stabilise at between 6 and 7 per cent over the next year and a half. It suggests, however, that no big improvement in Sweden's economic performance can be expected before 1991, when finance minister Kjell-Olof Feldt's radical tax changes come into force.



New generation fighters such as the four-nation EFA (left) and its French rival Rafale are too expensive for nations like Belgium

Belgium says new fighters beyond its pocket

By David Buchan in Brussels

THE SOARING costs of military technology have put new generation fighter aircraft beyond the financial reach of medium-sized countries like Belgium, according to Belgian Defence Ministry officials.

lowest investment rate in military equipment among all the allies, bar the poorest Mediterranean countries. But Mr Jean-Louis Mazy, chief of cabinet for Mr Guy Coeure, the Defence Minister, said in an interview that, even in collaborative projects, the cost of new fighter aircraft today had nearly doubled from a unit cost of BF700m (111m) in 1983, when Belgium bought its last batch of F-16s.

Dynamics of the United States promoting its Agile Falcon, and from the four-country consortium making the European Fighter Aircraft (EFA). But because of financial constraints, compounded by the lack of precise ideas from the Belgian air force about what it wanted, and the vastly-improved political climate between East and West, Belgium had had to turn all offers down.

month which would delay plans to give Belgium's four frigates a new light torpedo and sonar on top of larger cuts drawn up earlier by General Jose Charlier, the chief of staff. But the Government was being more decisive than its predecessor in taking long-overdue procurement decisions, Mr Mazy claimed.

However, the Belgian aircraft industry remains upset at not getting the state-of-the-art development work on a new fighter, which it feels it needs to stay competitive even on civil projects like Airbus and Ariane.

OECD criticises handling of overheating Finnish economy

By Robert Taylor in Stockholm

FINLAND'S coalition government has failed to produce "an adequate policy response" in dealing with the overheating economy and strong inflationary pressures, according to the latest country survey by the Organisation for Economic Co-operation and Development (OECD).

tightening of fiscal policy is urgent. However, the survey stresses that the added rise in the present budget surplus, which amounts to 1.5 per cent of gross domestic product, "should be accepted as a necessary" condition to rectify the current imbalances.

will average 3.75 per cent in 1989 and 1990. Wages in the business sector rose by 9.9 per cent last year and are set to rise to 8 per cent in 1989 with a projected jump to 10 per cent in 1990. Unit labour costs are projected to rise to 8.75 per cent next year compared with an average increase of only 2.25 per cent in the OECD area.

Police clash with Eta supporters

MORE THAN 100 people were hurt, three seriously, in overnight clashes between Basque youths and police in San Sebastian, northern Spain, the local Red Cross said yesterday, Reuter reports.



Basque police break up a demonstration in San Sebastian.

Advertisement for Marriott hotels. It features the Marriott logo and text: "It's attention to detail that makes the Marriott hotels so famous. The Marriott hotels are the world's most famous hotels. Available in 100 countries. For more information, contact your local Marriott office." The logo includes the text "AMSTERDAM FINANCIAL TIMES" and "Marriott".

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OVERSEAS NEWS

Australian inflation 'will worsen before it improves'

By Chris Sharwell in Sydney

AUSTRALIA'S deep balance of payments and inflation problems are going to get worse before they get better, according to projections unveiled in yesterday's budget.

announced measures to encourage private sector savings through major incentives to save for retirement, and created a new Industry Commission to replace the Industries Assistance Commission and hasten structural change in inefficient sectors of the economy.

Forecasts for selected economic measures* table with columns for 1987-88 actual, 1988-89 actual, and 1989-90 forecast. Rows include Average earnings, Consumer price index, Unemployment rate, Real household disposable income, Terms of trade, Current account deficit (A\$bn), and Deficit as % of GDP.

But for the year to next June, he expects a marginal worsening of the inflation rate to 7.5 per cent, and a further swelling of the current account deficit to a record A\$18.5bn - up from a revised A\$17.4bn for the year just ended, and equivalent to an unsustainable 5 per cent of gross domestic product.

The A\$3.1bn budget surplus, which is equivalent to 2.5 per cent of GDP and compares with a surplus of A\$5.9bn in the year just ended, will go towards retiring debt - at least A\$1.75bn of overseas debt, and A\$5.26bn of domestic bonds.

programme to buy back Treasury Bonds. According to Mr Keating, the budget surplus, together with the forecast slowing in demand and expected improvement in the balance of payments, would all "establish a framework for lower interest rates. Independent analysts expect this to occur before the end of the year.

programme of sales is to be undertaken over the next two years, to yield A\$800m. On the expenditure side, Mr Keating offered help for people facing difficulty meeting rent and mortgage payments, the older unemployed and homeless youth - groups important to Labor's electoral fortunes.

Maputo's facade hides cost of war

By Nicholas Woodsworth

FOR THE teenagers of Polana Cimento, a suburb high over the water of Maputo Bay, life might as well be lived not in Africa but in a sunny capital of southern Europe.

Manila caught out on prison carnage

By Richard Gourlay

PHILIPPINE troops stormed an army jail and killed 16 prisoners yesterday after the inmates raped and killed an Australian woman missionary and took the lives of four other hostages.

Violence in the Philippines is not likely to dissipate overnight, despite the good will that President Corason Aquino brings to her office.

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Troops carry the body of Jacqueline Hamill from the scene of yesterday's shooting at Davao City

S Koreans make first crossing of demilitarised zone

By Meggie Ford in Seoul

A SOUTH Korean woman student and a Catholic priest yesterday walked from North to South Korea across the demilitarised zone which has divided the peninsula for more than 40 years.

South Korea police yesterday mobilised 3,000 police at checkpoints on the way to the border zone to prevent students from travelling north to welcome Miss Lim. A demonstration by around 1,000 supporters ended peacefully.

Zia's son accuses US of death cover-up

By Christina Lamb in Islamabad

THE SON of the late President Zia ul-Haq has accused the US and the Pakistan Government of deliberately covering up his father's death.

Mr Ejaz ul-Haq, a banker turned politician, has demanded a full inquiry into the mysterious air crash last August which killed his father, the US Ambassador, and almost the entire army top brass, including six generals and six brigadiers, returning from watching a tank demonstration.

Gandhi describes opposition party members as traitors

By K.K. Sharma in New Delhi

MR RAJIV GANDHI, India's Prime Minister, yesterday used the occasion of the country's Independence Day celebrations to attack the opposition parties, describing some of their members as "traitors".

He accused them of siding with forces that were trying to weaken and divide the country, and impede its progress.

Strike brings Colombo to a standstill

By Mervyn da Silva in Colombo

ALL GOVERNMENT offices and banks were closed in Colombo yesterday following a 24-hour "national protest" sponsored by the extremist Sinhalese JVP to mark Indian Independence Day. Public transport was also paralysed.

Unrepentant Peking edges back towards normality

Peter Ellingsen explains why China's top leader seems to have failed to enforce a return to communist orthodoxy

A SIGN that Peking is returning to something like normalcy came this week with the re-appearance of Hong Kong newspapers in the Palace Hotel, a plush, joint-venture hotel partly-owned by the People's Liberation Army.

The Communist party has attempted to hijack the main goals of the students' democracy movement with claims that it will crack down on corruption, embrace "socialist democracy" and encourage wider press coverage. But few are convinced.

In the wake of the biggest non-Party instruction in 40 years, China's rulers have turned to indoctrination and fear to reclaim power, and to force a reluctant population back into the manageable straitjacket of socialist orthodoxy.

Foreign business is beginning to trickle back into China, notably from Japan and Taiwan, but western nations and their companies remain suspicious, and are unlikely to accord China privileged status again soon.

A freeze on foreign loans is showing signs of hurting Mr Deng's grand plans to develop energy and transport services and there is a real risk that the country's foreign debt combined with the domestic squeeze on credit could produce lower living standards and badly damage the communist party's already shaky standing.

The party, backed by the army, maintains control, but in a China primed to expect economic and social improvement, the authority's grip may turn out to be nominal rather than real.

China's TV is heavily consumer-led, the official Beijing Review magazine still highlights stories about western style fashions, and people have for a decade been able to devour media laden with overseas perspectives and lifestyles. Even if the word democracy is never mentioned, coastal China at least has undergone a cultural transformation that Mr Deng is unlikely to be able to reverse.

Maputo's present consumption boom, however, is artificial and not bolstered by corresponding levels of productive activity. Because the war has prevented exploitation its considerable agricultural, mining, and industrial potential, Mozambique has developed what might be termed a cocktail party economy - more than two thirds of its \$100m annual foreign exchange earnings come through the sale of prawns and cashew nuts.

AMERICAN NEWS

Mulford backs Argentine reforms

By Gary Mead in Buenos Aires

MR David Mulford, the US Assistant Treasury Secretary, has given cautious backing to President Carlos Menem's plans to reform Argentina's ailing economy. It is the first indication of US government approval for the five-week-old administration's efforts.

"If Argentina applies the correct measures, opens its economy, makes tax reforms and can privatise, it will be a candidate for support under the Brady initiative," said Mr Mulford yesterday in Buenos Aires. "I am impressed by the speed with which the Menem government is doing things."

The Brady plan, named after Mr Nicholas Brady, US Treasury Secretary, is designed to alleviate the debt burden on middle-income debtors by reducing debt and debt servicing and providing new money. The test case for the initiative is Mexico, which last month came to a preliminary agree-

ment with its bank creditors. Until this week, Argentina had been ruled out of the scheme by US government officials.

Mr Mulford is also believed to have indicated US Treasury readiness to consider extending a credit bridge of perhaps \$500m to Argentina, as part of an overall package of foreign financial support from the International Monetary Fund and other multilateral lending agencies.

However, it is clear that his gesture of support, and in particular the reference to Argentina perhaps becoming a candidate for relief on some part of its \$60bn foreign debt, is still tied to the results of President Menem's reform programme. Soon after taking office President Menem announced an economic emergency programme containing many of the elements mentioned by Mr Mulford as being basic requirements for full US Treasury

backing. However, that programme has been considerably watered down by opposition in Argentina's Congress and has yet to be put into practice in any of its elements. President Menem's plans are facing obstacles from within his own opposition Radical party.

According to Mr Domingo Cavallo, Argentina's Foreign Minister and a trained economist, the country is \$4.4bn behind in interest payments on its overall foreign debt. At the beginning of June this year, US banking institutions were required to write down Argentina's debt to "value-impaired" status, which means in part that substantial arrears payments ought to be paid before commercial banks can lend any more funds.

Nevertheless, a recent two-week visit by an IMF team indicated at least an improve-

ment of relations between the IMF and Argentina, following President Menem's assumption of office on July 8. It is known that the IMF delegation, which visited Buenos Aires to study Argentina's current economic position, was impressed with both the personalities and the programme of President Menem's economic team.

Mr Nestor Rapanelli, Economy Minister, said this week that he hoped further discussions with the IMF would be held before the end of August and that Argentina might soon become eligible for a \$1.5bn IMF stand-by loan.

If that materialised, Argentina would be expected to keep to a strict timetable of economic reforms. There is still considerable scepticism that President Menem's government will be able to keep those reforms on track.

Dialogue with Argentina, Page 14

Mexico's PRI unveils election law proposals

By Richard Johns in Mexico City

MEXICO'S ruling Institutional Revolutionary Party (PRI) yesterday announced proposals for electoral reform which are clearly aimed at increasing its share of the seats chosen by proportional representation.

In finally stating its formal position, however, the PRI did not set out to reduce the number of seats allocated by proportional representation - currently 200 out of the 500 in the Chamber of Deputies - as the opposition feared and expected it would.

The PRI is proposing to double the number of senators from 64 to 128, four for each state, with three to be elected by direct majority and one on the basis of proportional representation.

The third proposal is for a strengthening of the powers of the Federal Electoral Tribunal as an independent arbiter. This is an attempt to eliminate disputes of the kind which erupted after the PRI-rigged general election of last year.

The legislature is scheduled to meet in an extraordinary session on August 28 to debate reforms of the Federal Electoral Law. These have been under discussion during the last six months by a multi-party committee. Any changes have a crucial bearing on the outcome of the mid-term elections in the summer of 1991.

The PRI proposals, if implemented, will involve amendments to at least 11 out of 136 articles of the constitution. But they, in turn, would require approval of a two-thirds majority of the Chamber of Deputies where the PRI has only 280 seats.

Proposals outlined by Mr Luis Donaldo Colosio, national president of the PRI, for strengthening the powers of the Electoral Tribunal do not seem to meet the demand of the opposition that it should be an autonomous body divorced from the PRI.

Last week the Party of the Democratic Revolution proposed that 250 of the members should be elected under the system of proportional representation, which in the last general election favoured the opposition parties and helped them to win 240 seats.

Bolivia's political odd couple search for unity

Barbara Durr on the task facing President Paz and his ally, the former military dictator who once imprisoned him



President Paz: on a tight financial leash

ON the new Bolivian government's first day of business on August 8, Mr David Blanco, its well-regarded Finance Minister, was already pondering the circumstances under which he would resign. He said he would leave the ministry if President Jaime Paz Zamora attempted to raise wages without new revenues.

Mr Blanco's warning indicated that the road ahead will probably be bumpy for Bolivia's "national unity" government. The battle will be over continued tight fiscal management or greater social spending and a state-led economic reactivation.

The Finance Minister maintains links with his old professor at Harvard University, Mr Jeffrey Sachs - who helped design Bolivia's economic programme under the previous government and now advises President Carlos Menem of Argentina. He is also a member of the conservative Nationalist Democratic Action (ADN) Party, led by retired General Hugo Banzer. The ADN is governing in an unexpected alliance with President Paz's social democratic party, Movement of the Revolutionary Left (MIR).

ADN believes in an export-oriented, free market model, while President Paz is sensitive to pressures for better wages (unemployment is running at over 30 per cent) and more protection for national industry (which is at under 50 per cent capacity).

President Paz, though personally popular, is in a sense the government's principal liability. He is associated in the minds of Bolivians with the disastrous government of Mr Hernan Siles Suazo from 1982 to 1985, when inflation ran to a world record 25,000 per cent. Mr Paz was vice-president.

Since 1985, Bolivia, once regarded as South America's perennial basket case, has made a remarkable economic turnaround. Under President Victor Paz Estenssoro, the leader of the centrist party National Revolutionary Movement (MNR), Bolivia halted hyper-inflation and resumed economic growth. The social costs have been high but accu-

barily until 1978. Among those imprisoned and exiled during his regime was Mr Paz. Mr Paz, on the other hand, is trying to distance himself from his radical Marxist beginnings, which were the key to his founding the formerly leftist MIR in 1971.

Gen Banzer appears to be the power behind the throne. He presides over the Government's chief policy making body and his party has nine of the 18 ministries, including Finance, Defence, Foreign Affairs, Mining and Agriculture.

To boost confidence in his government President Paz and his ministers have repeatedly said that they will not change the successful economic programme of the former government. The exchange rate for the Boliviano, the local currency, will continue to be set by the free market, tariffs are to remain low and there will be no printing of money to cover greater state spending.

Mr Blanco aims to increase government revenues by gradually raising taxes and prices for basic goods such as petrol as well as trimming the number of public employees and privatising some state companies.

If there is more social spending, as President Paz has promised, it will have to come from health, education and basic development projects supported by multilateral banks.

Bolivia intends to maintain its programme with the International Monetary Fund. Although the IMF only contributed \$60m to the programme, its approval of Bolivia's economic progress helps to maintain financial confidence.

Mr Enrique Iglesias, President of the Inter-American Development Bank, pledged that his institution could disburse \$62m for development projects to the new Bolivian government over the next four years.

Meanwhile, foreign investors will be looking for proof that Bolivia will continue its conservative economic management. The country's widely admired example of having made a difficult economic adjustment while preserving democracy is a tough act to follow for Mr Paz.

Menem cools speculation over military amnesty

By Gary Mead

PRESIDENT Carlos Menem has sought to dampen speculation that he is about to announce a general pardon for military personnel involved in the so-called "dirty war" of the 1970s.

Tomorrow he will travel to Yapeyu in Corrientes province to attend a ceremony marking the death of General San Mar-

tin, one of Latin America's most revered nineteenth century military figures. President Menem was expected to unveil plans for a pardon or amnesty for about 20 senior military officers imprisoned or awaiting trial for responsibility for human rights abuses.

"You want to get a date from me [for the pardon] but you are

not going to get it," President Menem told journalists on Monday. He thus generated further speculation that, while the amnesty announcement is not imminent, the decision to make it has already been taken.

There have been reports in the Argentine press that tomorrow Colonel Mohamed

Ali Seimaidin is to be allowed home from 18 months of military detention in a Buenos Aires barracks where he has lived since he led a four-day rebellion last December.

That rebellion, prefaced by two others between April 1967 and January 1968, was staged to press home demands for an amnesty.

Bush targets drugs as domestic policy issue

By Lionel Barber in Washington

PRESIDENT Bush yesterday opened his campaign to curb drug abuse in America and signalled that he intended to make it a major domestic policy issue over the next several months.

At a White House press conference, Mr Bush said he would unveil early next month a "comprehensive national strategy" to combat drugs. The programme would involve more Federal spending as well as greater international co-operation to check traffic in drugs coming from Latin America.

Mr Bush noted that polls showed that 75 per cent of American people favoured tougher drug laws. "Drug abuse is a national menace and

the central government must attack it with every means at its disposal," he declared.

However, some of the President's own officials are concerned that Mr Bush - who has promised to spend \$6m next year fighting drugs - may be arousing unrealistic expectations of success. President Reagan's "Say No to Drugs" campaign generated much publicity but had little discernible impact on hard-drug abuse, notably cocaine.

The architect of the drug strategy is Mr William Bennett, the Education Secretary in the Reagan administration, who is charged with co-ordinating the activities of numerous agencies,

Hammer wins pardon for election 'misdemeanours'

By Peter Riddell, US Editor, in Washington

MR Armand Hammer, oil magnate and friend of Lenin, has finally found something to champion in the citadel of capitalism.

He has been pardoned by President Bush over his 1976 conviction for making illegal campaign contributions to President Richard Nixon's re-election campaign in 1972.

Mr Hammer, 81, said he deeply appreciated Mr Bush's action in clearing his name. "Having spent my lifetime fighting injustice, this vindication reinforces my abiding faith in the American system of justice."

In March 1976 Mr Hammer pleaded guilty to three misdemeanour violations of the cam-

paign financing laws in giving \$54,000 in illegal contributions to the Nixon campaign. He was sentenced to a year's probation and a \$3,000 fine. The judge said he was not sent to prison because of his ill health; he appeared in court in a wheelchair.

Mr Hammer, the chairman of Occidental Petroleum, has been seeking a presidential pardon for several years. Some prominent businessmen convicted of making illegal campaign contributions in 1972 were pardoned by President Reagan. These included Mr George Steinbrenner, the main owner of the New York Yankee baseball team.

WORLD TRADE NEWS

Hills to push US policy before Uruguay Round

By Nancy Dunne in Washington

THE US Trade Representative, Mrs Carla Hills, yesterday said that the US current account deficit may build a little because of macro-economic factors driving it and the stronger dollar.

Speaking at a briefing, she talked of the need to boost US productivity and domestic savings and said that the Bush administration is discussing proposals for a "well-constructed" individual retirement account programme.

After six months on the job in which she concentrated on fulfilling the requirements of US trade legislation and renewing the steel quota, Mrs Hills is now preparing to embark on a series of foreign trips to preach US policy on trade liberalisation and to learn about the "economic and political problems of our trading partners" in an attempt to push along progress in the Uruguay Round of international trade talks.

Next month she will be meeting with trade ministers in London, Paris, Bonn, Brussels and Bern; two trips to Asia are planned in the autumn. By the end of the year, she hopes each of the 15



Carla Hills: EC subsidies are politically sensitive issue

representatives from India, Brazil and Japan who she targeted for special negotiations under the so-called "Super 301" provision of the trade law. All three countries have refused to discuss US complaints under threat of retaliation, and other venues for the talks have had to be found.

"All I care about is that we achieve liberalisation in areas where there are restrictions," Mrs Hills said. She implied that progress would be sufficient if the Super 301 targets move to change their restrictive policies in the context of the Uruguay Round.

Mrs Hills said she particularly would encourage the Japanese Government to take strong enforcement measures against collusive practices.

representatives from India, Brazil and Japan who she targeted for special negotiations under the so-called "Super 301" provision of the trade law. All three countries have refused to discuss US complaints under threat of retaliation, and other venues for the talks have had to be found.

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European shoe industry fights for survival

Alice Rawsthorn reports on the results of rising competition from the Far East

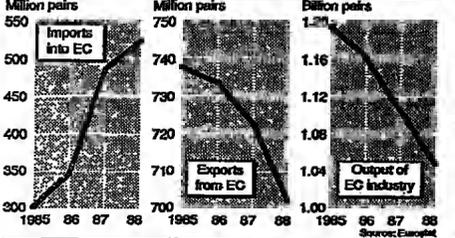
THE European footwear industry is fighting for life against a flood of imports from the Far East and what appears to be indifference by the European Commission.

"We must be realistic," said the head of one of Europe's biggest footwear firms. To the European Commission we are a small industry of little strategic significance. Officials can score political points by forcing through policies on textiles and electronics. But who cares about shoes?

This year the European footwear industry has discovered exactly how sure-footed it is - the Commission considers it to be. For months its lobbyists have pressed for the introduction of restraints on imports of footwear from the Far East. And for months the Commission has procrastinated.

The Commission is procrastinating over whether to take steps to regulate the influx of imports from South Korea and Taiwan which have inflicted a devastating blow to the European industry since the mid-1980s.

Imports have posed a problem for Europe's footwear firms for years. But in the last three years the flow of imports into Europe has turned into a flood. The decline of the US dollar and the related Far Eastern currencies made it less profitable for manufacturers to



export to the US from the Far East and more profitable for them to sell to Europe, while the South Korean and Taiwanese shoe companies had invested heavily in new capacity and in upgrading their output.

Conversely the strength of the European currencies against the dollar made it difficult for the Italian, French and West German industries to sell their shoes in North America. The European industry confronted a combination of increasing imports and declining exports.

Between 1985 and 1988, when European exports fell by 5 per cent to 702m pairs, imports increased by 72 per cent to 522m pairs. As a result the level of European shoe production slumped by 12 per cent to 1bn pairs over the same period.

Every area of the European industry, which employs about 345,000 people, has been affected. There have been job losses and factory closures in every country. A week ago Eatoughs, one of the larger UK companies, went into receivership putting 830 jobs at risk.

Even the Italian industry, which is the largest and arguably the most successful in Europe, has suffered severely. Imports rose by 16 per cent to 91m pairs between 1987 and 1988, as exports fell by 5 per cent to 365m.

The level of output slipped by 6 per cent to 456m pairs. As a result Italy, which employs one-in-three European footwear workers, saw 306 foot-

wear firms go out of business last year.

The same scenario has been replicated in other European countries. There were more than 3,000 job losses in the West German industry in 1988. Even the Spanish industry, which enjoyed buoyant growth until the mid-1980s, suffered a slump in output.

The European Confederation of the Footwear Industry sees import restraints as the only solution. For more than a year it has been lobbying the Commission for specific restraints on South Korean and Taiwanese imports, along the lines of those introduced by Italy and France last summer.

Last year, the Commission conducted an inquiry to assess whether the introduction of import restraints was justifiable. The inquiry was completed earlier this year, but the Commission has yet to reach a decision.

The last of the meetings to discuss the inquiry's findings was held at the end of July. The meetings will resume in September.

Mr Roland Smets, director of the confederation, does not expect a decision before the end of the year. However, there is a growing body of opinion in the European industry that the introduction of restraints against South Korea and Taiwan alone would not be adequate.

The experience of the French and Italian industries suggests that, faced by barriers to entry, the South Koreans and Taiwanese have sharply exported indirectly to France and Italy via other European countries with free access, like Belgium and Holland.

Similarly South Korea and Taiwan have syphoned production to other Far Eastern countries, such as Thailand and Malaysia, where there are no restrictions on entry to the French and Italian markets.

France, for example, saw only a slight increase in South Korean imports from 22m to 25m pairs last year. Imports from Taiwan actually fell from 13m to 11m. But the rise in imports from Thailand and China ensured that imports rose by 10 per cent to 102m pairs of shoes.

The extension of import restraints across the Community would end the "indirect" exporting within Europe. Yet the confederation is convinced that the only way to tackle the relocation of production is to introduce restraints not only to South Korea and Taiwan, but to all the Far Eastern footwear producers.

This may mean that the industry has to wait even longer for the Commission to make up its mind. And while it waits there could be yet more company closures and more job losses.

Japan's car sales set for surge

By Kevin Done, Motor Industry Correspondent

JAPANESE car makers are set to capture around 18 per cent of the West European car market by 1995 compared with 11.3 per cent last year, according to a study by the Economist Intelligence Unit.

The report on the passenger car market in Western Europe says that the Japanese share of the market will rise because of increasing local production by Japanese car makers and imports from Japanese assembly plants in the US.

The share taken will rise rapidly, even if the Japanese industry continues to follow its policy of restraint on direct exports to the EC which was implemented in 1986.

The EIU study says that on the basis of current plans around 500,000 Japanese cars and four-wheel drive sports utility vehicles a year could be built in Europe by 1993, rising higher as Toyota and Honda build up output from their planned assembly plants in the

UK. Imports from other sources will also rise progressively between 1990 and 1995, with imports from South Korea expected to show the biggest increase.

South Korean cars, chiefly from Hyundai, account for only 0.2 per cent of the European market last year, but this share could rise to as much as 3.5 per cent by 1995.

Overall imports currently account for 13 to 14 per cent of the West European car market.

By contrast imports accounted for only 3.4 per cent of the Japanese domestic market last year - although sales of foreign cars in Japan are currently rising quickly while imports accounted for as much as 35 per cent of US new car registrations in 1988, including imported cars sold under US badges.

The EIU report forecasts that the traditional European car makers (including Ford of Europe and GM Europe) will

account for only 74 to 75 per cent of West European new car sales by 1995, compared with 86.3 per cent last year.

East European cars, led by Ladas from the Soviet Union and Skodas from Czechoslovakia, are also forecast to increase their share from 1.8 per cent last year to around 2.5 per cent in 1995.

The EIU study forecasts that overall new car registrations in Western Europe will climb by around 3.5 per cent this year to a record of just over 13.2m.

It suggests that new car prices will rise by less than the rate of inflation during the first half of the 1990s, despite the additional costs facing manufacturers to comply with exhaust emission regulations.

The Passenger Car Market of Western Europe: Developments and Prospects. The Economist Intelligence Unit, 40 Duke Street, London, W1A 1DW. Price £265, West Europe, \$535 in America, £268 rest of world.

Turkish textile trade blames government for decline

By Jim Bodgener in Ankara

FALTERING SALES are worrying Turkish textile exporters, whose business has been the main engine of Turkey's export drive in the 1980s, resulting in a record current account surplus of \$1.5bn (£937m) last year.

The Textile Exporters' Association is laying the blame for the decline at the door of government policies.

Exports at the high-value added ready-wear end of the market are estimated at about \$1.1bn in the first seven months of the year. Although this is an increase of about 5 per cent on last year's \$1.05bn for the same period, this is sluggish when compared with the annual increases of between 15 per cent and 20 per cent recorded in recent years.

Ironically, it is not EC quotas - the bugbear of the past - that most preoccupy Turkey's textile exporters, but lack of support from their government. The Government phased out the last lucrative export tax rebate incen-

tives in mid-April, and exporters throughout Turkey are feeling the pinch.

On top of this, prices for domestic raw cotton have shot through the roof by 40 per cent in the main buying season between March and May. Again, this is blamed by manufacturers and traders on the Government, for liberalising exports of raw cotton without making provision for domestic stock.

Some financiers argue that market forces are at play, feeding through from a slump in domestic sales due to the attraction of earning high interest rates on deposits, which fed through into decreased demand for foreign currency to pay for imports. Added to that, foreign exchange abounds because of the account surpluses.

But the textile exporter's gloom tallies with the general despondency among Turkey's export houses, which feel that the Government has abandoned them while the current account

is riding high. It may not for long.

Obviously, in May total outward visible trade dropped by 14.9 per cent to \$702m, compared with the same month last year. The previous year's figures by the May figures by the State Institute of Statistics had been delayed until early August - compared with the usual two month lag - because of a dispute with the Finance & Customs Ministry, which estimated sales as being much higher at more than \$800 million.

Meanwhile, some companies predict the Government may be forced to institute a mini-devaluation in the autumn to stave off the decline. Others say that revisions in import tariffs, and the new mobility of foreign exchange after recent government moves to make the lira more freely convertible, will bring exports around on their upward track.

To compensate the big foreign trade corporate companies for their previous 6 per cent perk on top of the old rebate system, the Government will give them

a 2 per cent premium. This is to help these companies retain the business of smaller companies, which exported through them for a slice of the old rebate privilege.

Quotas in the EC and North America markets will still be constricting this year, despite the lower export growth. Seven months into the year, for example, most categories of EC quotas have been used up by 60 per cent and more. The ever adaptable textile industry in Turkey - perhaps the most profit motivated with its numerous lowly-paid sweatshops - has been restructuring in recent years to earn the most from quotas by shifting towards better quality and higher value-added in ready-wear.

The association is confident it can overcome the trough. "This is a very dynamic sector," says Mr Tuncer Ogun, its secretary general. "In one or two months the rate of growth will increase again."

Official 50



AN OPEN LETTER FROM THE CHICAGO BOARD OF TRADE

For more than 141 years the Chicago Board of Trade and our members have made the integrity of our markets the first and most important priority. Our wide range of international customers have found that the Chicago Board of Trade agricultural, government debt and other markets allow them to discover the world price and transfer their risk. The relationship that we have developed with our customers was born out of our commitment to provide the most liquid and honest markets.

In the wake of the recent federal grand jury indictments, we are faced with the challenge to preserve the confidence in our markets.

We have never tolerated violations of our rules or abuses of our customers. We view these charges most seriously. The Chicago Board of Trade will investigate any and all charges. Disciplinary action will be taken against those individuals, if found guilty, to the fullest extent of the Exchange's authority.

Last January the Board of Directors took immediate action after the investigation became known, to ensure that allegations of this kind never again could be made at the Board of Trade. These actions significantly strengthened our surveillance program and disciplinary functions. To that end, the Board dramatically enhanced our computerized surveillance system and today we audit 100% of all transactions that occur on our exchange.

The Chicago Board of Trade and its more than 3500 members are resolved to take any and all steps that are necessary to assure our customers that our markets will remain honest and efficient, and function with the utmost integrity. We have earned the respect and business of our customers for nearly a century-and-a-half and we are dedicated to continue to merit their confidence.

A handwritten signature in black ink that reads "Karsten Mahlmann".

Karsten Mahlmann
Chairman

A handwritten signature in black ink that reads "Thomas R. Donovan".

Thomas R. Donovan
President & Chief
Executive Officer

LaSalle at Jackson
Chicago, Illinois 60604
312 435 3500

UK NEWS

Auditors claim inefficiency may impede NHS reform

By Tom Lynch

THE INABILITY of local health authorities to manage their finances properly may impede the Government's plans for reform of the National Health Service, the National Audit Office (NAO) warned in a report published yesterday.



Clarke: threat to reforms

The report on the performance in 1987-88 of health authorities which manage the state-run health system in England is painted a gloomy picture of lack of financial control at all levels, a shortage of skilled finance staff and an inability to deal with deficits run up in previous years.

The NAO report comes on the eve of today's launch of a campaign by the opposition Labour Party against the Mr Clarke's proposed NHS changes, and a week after the cross-party Commons Social Services Committee expressed concern about the proposed pace of reform.

US companies join British Aerospace in telecom licence bid

By Hugo Dixon

BRITISH Aerospace has formed a consortium with three international telecoms groups to bid for one of Britain's new personal communications licences.

is a danger that the UK could be isolated, as both France and Germany have expressed doubts about going ahead with the system.

BA cabin crew plan disruption

By Jimmy Burns, Labour Staff

EUROPEAN air travel faces further disruption in the peak summer season from a strike threatened within the next 12 days by British Airways cabin staff, who are members of the TGWU transport union.

Fall in domestic orders stalls export expansion

By Ralph Atkins, Economics Staff

A SHARP slowdown in domestic orders for British manufacturers has not prompted companies to expand their export business in overseas markets, the Association of British Chambers of Commerce said yesterday.

Businesses in southern England led the downturn in output growth, the association's quarterly economic survey added.

Manufacturing and service companies said business prospects were most likely to be improved by a cut in interest rates and lower inflation.

Orders. A balance of 28 per cent reported an increase, down from 38 per cent in the first three months of the year.

for its likely effects on inflation. Among manufacturers, pay settlements came fifth on a list of factors cited as likely to affect company prospects.

Scottish whisky sales reel to 10 year high

By James Buxton, Scottish Correspondent

THE Scottish whisky industry is in better shape than at any time in the past 10 years, the Scotch Whisky Association claims yesterday.

He said that bottled whisky accounted for 72 per cent of total shipments by volume and 86 per cent by value - worth £577m.

Mr Straker said it was too early to assess the full effect of the tax changes which came into effect only in April.

shown in the fact that about ten distilleries in Scotland which were mothballed in the early 1980s because of overproduction are now back in operation or are being brought back into production.

In Brief

Accountant faces action for refusing to help SFO

The Serious Fraud Office is prosecuting a London accountant for refusing to give information to officers investigating an alleged fraud at the First National Bank of Boston.

Police chief unravels course to justice

By Richard Tomkins, Midlands Correspondent

MR GEOFFREY DEAR, chief constable of West Midlands Police, was not exaggerating when he described his wholesale purging of the force's criminal investigation department as unprecedented.

MR DEAR had hoped that the end of the affair, but last Friday he learned that the original copies of alleged confessions by two prisoners - confessions which were likely to have been questioned as to their veracity - had been removed from police files.

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Deck court action

Fourteen union officials made compulsory redundant by the Port of Tilbury during the docks dispute yesterday began their legal action against their former employer on the grounds of unfair dismissal.

Mersey docks stick by toxic waste ban

THE MERSEY Docks and Harbour Company yesterday reaffirmed that it could not accept a shipment of the toxic waste PCBs from Canada when it arrives at the Port of Liverpool today, writes Ian Hamilton Fazel, Joel Kibazo and David Owen.

It has not turned back because it is carrying what a port spokesman said are "hundreds" of "ordinary" containers, which are due to be unloaded in course of normal trade.

Government warned on language teacher crisis

GOVERNMENT plans to improve the notoriously feeble foreign language skills of Britons will be impossible to achieve with the present teaching force, ministers were warned yesterday, writes David Thomas.

and 15 year olds study a foreign language.

N Ireland deal

Ewart, Northern Ireland-based property development company, yesterday unveiled plans for one of Ireland's largest office blocks.

Rover plans to develop new range

By John Griffiths

ROVER GROUP is developing a new range of executive cars, code-named R18, to succeed its current 800 models in the early to mid-1990s.

Regular chaps make the 'Regular' grade

David White reports on the once-élite training ground for British Army officers

IT WAS at the Cavalry and Guards Club, Piccadilly in London, as a first-time visitor, that I was ushered towards the staircase to meet my hosts with the unforgettable words: "Would you like to go to the chaps' room first?"

Sandhurst Royal Military Academy, the officer training college, were still known as "gentlemen cadets." More recently, it was still considered necessary in some regiments to have a private income to pay one's bills in the Mess, the officers' canteen-club.

Former commander of the British-officered 6th Gurkha Rifles, he says the same of his own experience on selection boards: "I have yet to be on a board where we asked someone what school he went to or who his father was."

standard military course and two terms for graduates.

The people who overlap in the carefully-cultivated atmosphere are a mixed bunch, on different courses, with different career outlooks and from different backgrounds, ranging from army entrants with years of experience in the ranks to freshly-arrived graduates.



Cadets make a regimented farewell to Sandhurst Royal Military Academy at the traditional Sovereign's Parade "passing out"

TECHNOLOGY

Alan Cane describes how Ford and others tackle the problem of engineering data control

Keeping tabs on worldwide production

Engineering managers are seeking better ways to control the torrents of textual and graphical information they have to contend with as a result of modern manufacturing methods.

Computer-aided design (Cad) techniques, for example, can greatly accelerate the process by which designers create and modify engineering drawings and product specifications, but they also generate a flood of barely controllable documentation.

Sherpa Corporation, a US-based pioneer of the new computer-based techniques for managing all this information, which it calls engineering data management (edm), says: "Today's computer-aided design systems add individual engineers in their design work, but offer no help to managers, project leaders or data-processing managers, all of whom are charged with controlling an ever-increasing number of design files and a mass of associated data and ensuring that the right version of the design is released to manufacturing."

The financial penalties for poor control of documentation can be considerable. One US aerospace manufacturer calculated that it spent almost \$1m (£285,000) a year locating the latest revisions of electronically stored designs. On average, design management expenses in US companies run at between \$250,000 and \$500,000 a year.

Sherpa's approach is used by General Electric of the US, Hughes Aircraft and Philips among others. But a large number of companies are busy developing their own, proprietary solutions of which perhaps the most spectacular is the worldwide "engineering release" system (Wers) which Ford, the motor manufacturer, has been building over the past five years at a cost of some \$77m. It is fundamental to the company's plans to move towards the "world car" concept, with all the economies of scale which that will bring.

An engineering release is a document which defines exactly how a part is to be used in, say, a motor vehicle. It is the formal statement that the design is complete and ready for manufacture. Ford

says: "With the complexity of today's vehicles, the wide variety of Ford models and the size of the company, it would be impossible to design and manufacture products without a system for information management."

"A single car alone," says Ford, "has an average of about 10,000 separate parts. In addition to the active parts for cars currently in production, there are replacement parts being designed to improve or modify a vehicle. And parts are being engineered for entirely new vehicles that are not yet being manufactured. In all, Wers will store and regulate data on more than half a million total parts and assemblies."

Some idea of the complexity of the system can be gained from the fact that Ford considered buying releasing system software already used by the computer manufacturer, International Business Machines, but found it could not meet Ford's requirements.

When fully in place in the early 1990s, Wers will serve some 20,000 users in north and south America, Europe, Australia and the Far East through a network of about 10,000 terminals. Training users to operate the new system is expected to cost about \$3m with each employee receiving 150 hours of instruction.

Put simply, Wers is a collection of engineering informa-

tion, the world's largest privately owned database, stored on an IBM computer in Dearborn, Michigan. Telecommunications links connect Ford engineers sitting at video terminals in the US, in Europe and the Pacific Rim with Dearborn. The system is geared to handle up to 500,000 calls a day.

The technology is not especially sophisticated: Wers only handles textual information at present although it is hoped to add engineering drawings to the database at a later stage. The Ford team points out, however, that using unproven hardware and software would

add enormously to the hazards of an already very complex project.

The real achievement in Wers is the new ground it has broken in forcing rationalisation and uniformity on the manufacturing activities of a worldwide organisation. Ford has made several attempts to

and it is, to all intents and purposes, independent of the kind of workstation used.

It can be thought of as an electronic engineering library; drawings and specifications created through Cad techniques are stored as "folders" in the system. The system has no knowledge of the contents of the folders, nor does it need it; its role is to know exactly where each folder is, who has access to it and what can be done with the contents. If a drawing or specification is revised, for example, the revision is automatically incorporated across the whole project.

Sherpa has developed a special programme it calls Quickstart for companies that know what they want in edm. It says it can install a working system in six to eight weeks at a cost of about £43,000.

The company believes it has a lead in "package" edm, but it may only be the first of many. According to the Dataquest consultancy, the market for edm systems will be £200m in 1990.



Using a Cad screen, a Ford engineer modifies elements of a vehicle shell.

was also significant. One \$3m project had a payback period of 18 months, for smaller applications, the payback period was approximately three months.

The problems caused by poor data management are crippling. They include unnecessary reworking through use of the wrong versions of drawings or specifications; late designs caused by poor access to design information and waste of highly paid time.

Formed in 1985 and based in San Jose, California, Sherpa's answer has been to develop computer software that keeps track of every aspect of an engineering design from conception through to final release. Elements of the system include the "electronic vault" which manages the location, revision level and access to computer-aided design drawings, systems for configuration management and engineering change. The software embodies a number of important modern computing ideas. It operates in distributed fashion, that is, across a network of workstations rather than being tied to a mainframe computer

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and it is, to all intents and purposes, independent of the kind of workstation used.

TECHNOLOGY MARKET

How cars fare in the water test

Michael Swiss on a Swedish company's novel use for its wave tank

Testing marine structures, like jetties and ships, in water allows forecasts to be made about how much damage the sea may inflict on harbour walls and how much energy will be required in passage. This type of work is normally done in vast tanks which allow models to be towed and waves to be simulated.

The Gothenburg company, SSPA Maritime Consulting AB, has decided that vehicle testing, normally done in wind tunnels, can also be done under water. It says the use of water is to reduce the towing speed by some 80 per cent-84 per cent. One km/hr under water has the same dragging effect as 16km/hr in air, causing similar turbulence and other effects.

A recent paper by Lennart Hammar, an SSPA staff member, explains that all the data needed for the development of a computer programme representing the movement of a vehicle in air, against the wind, can be obtained from experiments in the company's wave tank. The crucial factor, known as the Reynolds Number, can be obtained in this way, SSPA says.

The vehicle rolls across the bottom of the basin. In the same manner as it would on the road, the wheels are turning and are in contact with the ground; the fluid (water in place of air) is passing above the vehicle and under it, which is probably a better approximation to the vehicle's movement along a road than when it is stationary in a wind-tunnel and air flows past it. In a wind-tunnel it is necessary to introduce air-flow from differential directions to create the effect of the car moving sideways; in the tank the car can actually move sideways.

Towing tank experiments can to a large degree provide the same answers as the eventual road test without endangering the life of a test driver. A Formula One car has been given the towing tank test and so has an ordinary passenger car, says SSPA, the results can be translated into wind-tunnel and road-test data. For

the same Reynolds Number the forces exerted in water are about four times as high as those in air so it is necessary to reinforce obtrusive items like side mirrors.

The vehicle is dragged along the tank bottom using an instrumented rod which provides a measurement of the force required. Upward or downward pressure of the water on the model is measured as all four wheels pass simultaneously over four ballances in the bed of the tank. Force-measuring transducers are included in the rods which replace springs and shock absorbers.

The car is also towed in air to obtain its rolling resistance and the drag measurements obtained under water are corrected accordingly. Pressure on the car body also has to be related to atmospheric pressure which is done by venting the appropriate gauges to eliminate the effect of water pressure.

The company says that since the tests started they have shown themselves - during actual Formula One racing - to give more accurate results than wind-tunnel tests. Passenger car aerodynamic tests have been carried out in this way for Volvo and Saab-Scania. They were compared with tests done in the Volvo company's wind-tunnel.

It appears that wind-tunnel tests are likely to give excessively high figures for lift. Tank tests can, it is claimed, yield more accurate figures for the optimisation of underbodies, bulk-flow around rotating wheels and cooling air flow under the bonnet. They permit a more accurate visualisation of underbody flows and tangential flow, thus filling the gaps in wind-tunnel data.

SSPA is now looking at how high speed trains and aircraft landings and take-offs can be simulated in the towing tank.

Correction: In the August 8 issue it was stated that Bayer sold its Autan range of insect repellents to Schöll. In fact, Bayer has not sold Autan to Schöll but has made a distribution agreement for those products in the UK only.

Do you have a Technology Marketing Strategy?

This country spends an immense amount of time reminding the world how inventive and creative it is but at the same time usually apologises "terribly sorry, we are not awfully good at marketing ourselves."

This amazing incoherence is usually voiced by those involved in the inventive process, or the engineering cycle of product development, who prefer to ignore the market need and create in a vacuum.

Likewise, how many Marketing Directors in industry control the technology marketing process, including patenting and product licensing - that's somebody else's responsibility in another part of the company?

Marketing is not a science. It is the creative process identifying the market need, through to the implementation of product strategies to meet that market need. Nothing very clever in that, but how many engineers and scientists address the market need first?

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JOBS

What happened to last summer's graduates

By Michael Dixon

THE SAME paradox repeats itself every year.

Week after week, and with increasing stridency in recent times, assorted British pundits proclaim that the country is economically threatened by a shortage of graduates, and so needs to produce more of them.

Then on a particular day in the latish summer the Jobs column receives the statistics showing what the previous year's degree-winners did after ending their course. On analysing them, what does it find?

The answer lies in the table, alongside which outlines the activities taken up by the 1988 and 1987 outputs of bachelor-degree graduates from the United Kingdom, universities, and from the polytechnics and colleges of higher education in England and Wales. The first five columns of figures cover the whole lot of them whatever the subject of their degree.

The next two sets of three columns apiece refer to those who studied pure sciences, and those from courses in engineering and technology of various sorts.

The biggest single group - 14,272 in 1988 - consisted of those who by December 31 of the year in which they graduated had disappeared from their alma mater's ken.

Where the new degree-winners went:

| | 1988 | % of total | 1987 | % of total | Change (+ or -) |
|--------------------------------------|---------|------------|---------|------------|-----------------|
| Total gaining bachelor's degrees | 116,757 | 100.0 | 114,657 | 100.0 | +2,090 |
| Whereabouts unknown at December 31 | 14,272 | 12.2 | 14,145 | 12.3 | +127 |
| Returned or moved overseas | 8,026 | 6.9 | 7,035 | 6.1 | +991 |
| Further academic study in UK | 9,740 | 7.5 | 9,455 | 7.4 | +285 |
| Teacher-training | 9,950 | 7.4 | 4,428 | 3.9 | +478 |
| Other training | 7,815 | 6.7 | 7,824 | 6.8 | -8 |
| Administrative and managerial work | 5,830 | 4.6 | 5,754 | 5.0 | -124 |
| Research, design and development | 8,154 | 7.8 | 8,759 | 7.6 | +395 |
| Engineering and science support work | 1,236 | 1.1 | 1,230 | 1.1 | +6 |
| Environmental planning | 3,377 | 2.9 | 2,862 | 2.5 | +515 |
| Buying, marketing and selling | 5,261 | 4.5 | 5,089 | 4.5 | +172 |
| Management services | 4,478 | 3.8 | 4,389 | 3.8 | +89 |
| Financial work | 8,332 | 7.1 | 8,825 | 7.7 | -493 |
| Information, library and legal work | 1,438 | 1.2 | 1,236 | 1.1 | +202 |
| Personnel and welfare services | 9,531 | 8.2 | 8,585 | 7.5 | +946 |
| Teaching and lecturing | 5,821 | 5.0 | 5,786 | 5.0 | +35 |
| Other kinds of work | 4,828 | 4.1 | 4,217 | 3.7 | +611 |
| At best short-term UK job at Dec 31 | 14,070 | 12.0 | 14,036 | 12.2 | +34 |

GRADUATES IN ALL SUBJECTS

PURE SCIENCES

ENGINEERING & TECH.

| | 1988 | 1987 | Change (+ or -) | 1988 | 1987 | Change (+ or -) | 1988 | 1987 | Change (+ or -) |
|--------------------------------------|--------|--------|-----------------|--------|--------|-----------------|--------|--------|-----------------|
| Total gaining bachelor's degrees | 28,134 | 26,361 | +2,227 | 16,664 | 18,307 | +357 | 16,664 | 18,307 | +357 |
| Whereabouts unknown at December 31 | 2,820 | 2,828 | -8 | 1,684 | 1,618 | +66 | 2,009 | 1,956 | +133 |
| Returned or moved overseas | 1,155 | 1,067 | +88 | 4,184 | 4,187 | -3 | 1,053 | 1,104 | -11 |
| Further academic study in UK | 1,033 | 1,321 | -288 | 81 | 86 | -5 | 81 | 86 | -5 |
| Teacher-training | 727 | 738 | -11 | 308 | 305 | +3 | 642 | 678 | -36 |
| Other training | 1,023 | 1,069 | -46 | 4,680 | 4,510 | +70 | 356 | 354 | +2 |
| Administrative and managerial work | 119 | 99 | +20 | 2,500 | 2,134 | +366 | 708 | 597 | +111 |
| Research, design and development | 934 | 861 | +73 | 684 | 927 | -243 | 28 | 25 | +3 |
| Engineering and science support work | 2,830 | 2,910 | -80 | 87 | 100 | -13 | 20 | 28 | -8 |
| Environmental planning | 2,123 | 2,202 | -79 | 247 | 208 | +41 | 1,115 | 1,207 | -92 |
| Buying, marketing and selling | 172 | 148 | +24 | 28 | 25 | +3 | 87 | 100 | -13 |
| Management services | 1,787 | 1,771 | +16 | 20 | 28 | -8 | 247 | 208 | +41 |
| Financial work | 142 | 168 | -26 | 785 | 710 | +75 | 1,115 | 1,207 | -92 |
| Information, library and legal work | 1,438 | 1,236 | +202 | 28 | 25 | +3 | 87 | 100 | -13 |
| Personnel and welfare services | 142 | 168 | -26 | 20 | 28 | -8 | 247 | 208 | +41 |
| Teaching and lecturing | 785 | 710 | +75 | 1,115 | 1,207 | -92 | 28 | 25 | +3 |
| Other kinds of work | 3,411 | 3,499 | -88 | 87 | 100 | -13 | 20 | 28 | -8 |
| At best short-term UK job at Dec 31 | 3,411 | 3,499 | -88 | 87 | 100 | -13 | 20 | 28 | -8 |

So what they did to occupy themselves is something that none of the taxpayers who largely paid for their studies can know.

But the next biggest group - far greater than the numbers accounted for by any type of longer-term activity - is at the foot of the table labelled: "At best short-term UK job at Dec 31". That group consists of three sets of people. The first were unemployed. The next were in a post expected to last no more than three

months. The others were not available for employment at all, as distinct from having returned to an organisation which had kept them on its payroll during their studies.

If Britain's economy is really endangered by a lack of graduates, the apposite question is why it falls to employ so many of those the higher education system turns out already. But it is a question that, as far as I can see, none of the pundits advocating higher production has chosen to address.

Should they happen to be reading, I'd be most grateful if they would resolve the paradox before next summer brings it back yet again.

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FT LAW REPORTS

Digest of cases reported in the Trinity Term

FROM JUNE 27 TO JULY 19

Oriental Maritime (PTE) Ltd v Ministry of Food, Government of Bangladesh

(FT, June 27)
 Clause 42 of the printed charterparty form provided: "It is mutually agreed that this contract shall be completed and superseded by the signing of bills of lading which shall be deemed to incorporate the above clauses..." The charterparties were made between the respondent owners and the subcharterer while the bills of lading were between the registered owners and the bills of lading holder. The arbitrator concluded that the respondent owner could not pursue its claims before them, as they had no jurisdiction over the bill of lading contracts. Allowing the respondent owner's appeal, the Court of Appeal stated that the very concept of a supersession of a contract by a further contract implied that the contracts would be between the same parties. A contrary construction resulted in the conclusion that the respondent owner, by agreement, should forfeit valuable rights which a carrier normally has against charterers, without receiving any other enforceable rights against the charterer in return.

AMI Holdings Inc v Anger

(FT, June 30)
 The present application related to documents in the liquidator's possession to which rights of confidentiality and privilege did not apply. One of the creditors, AMI, sought a direction that save under compulsion of law, the liquidator should not disclose to another creditor any documents or information except other than for the purposes of the liquidation. Refusing the application, Mr Justice Warner held that helping one creditor in the pursuit of its claims might be the price that AMI had to pay in pursuing its own claims. However, the liquidator should be indemnified against the cost of supplying the documents by the creditor who requested them.

Royal Ordnance plc v Pilkington

(FT, July 4)
 When Mr Pilkington applied for full redundancy payment, the company, which succeeded the Ministry of Defence as his present employer, offset the pension benefits he had earned from the MOD. The question turned on the proper construction of Regulation 4(1) of the Redundancy Payments Pensions Regulations 1985 that apply where an employee who would be entitled to a redundancy payment from an employer had the right to a pension "which - (a) is to be paid by reference to the employee's last period of continuous employment with that employer; (b) if it is a lump sum it is to be paid, or (c) if it is a periodical payment it is to begin to accrue at the time when the employee leaves the employment or within 90 weeks thereafter." Allowing Mr Pilkington's appeal from an Employment Appeal Tribunal decision that his employer was entitled to make the set off, the Court of Appeal stated that he had received his pension in June 1985 when the lump sum was paid and when the periodical payments began to accrue. That happened before he left the company's employment. It followed that the pension he received from his service with the Ministry of Defence did not fall within regulation 4(1)(b), though it did fall within 4(1)(c). Both conditions had to be satisfied however and, as the second condition was not satisfied, the 1985 Regulations did not apply to Mr Pilkington's pension. Accordingly, the Ministry of Defence pension could not be set off against the redundancy payment.

Kapur and Others v Barclays Bank plc
 (FT, July 5)
 As a result of the Africanisation policy in East Africa in the 1970s, the applicants - who were all of Asian origin - lost their jobs with the local banks. They were taken on by Barclays Bank in the UK with the proviso that any pension during the period of ownership that the bank granted would not take into account previous years of service with Barclays banks abroad. The applicants contended that the proviso was discriminatory under the Race Relations Act 1976 and that the three-month time limit for bringing an action under s.68(1) did not apply because the discriminatory act extended over a period and so should be treated "as done at the end of that period" under section 68(7). Allowing their appeal against an EAT decision upholding an industrial tribunal ruling, on a preliminary point, that it had no jurisdiction to hear the complaint, the Court of Appeal stated that the right to a pension formed part of the overall remuneration of an employee. If his pension entitlement could be shown to be less favourable than that of other employees, that disadvantage continued throughout the period of his employment and therefore fell within section 68(7).

Re Lonrho plc

(FT, July 11)
 Lonrho plc sought an order freezing its shares in which certain companies were interested under section 216(1) of the Companies Act 1985. However, Lonrho had no complaint against the charges and wished to agree terms with them that would exempt them from the restrictions so that they would be free to enjoy their rights as secured creditors. In holding that the court had no jurisdiction to make such a "halfway house form of order," Mr Justice Peter Gibson stated that there was no doubt that the court had a discretion whether or not to make an order. But it did not follow that the court had a discretion as to the form of the order. On a literal reading of section 216, Parliament had clearly laid down the form of an order, namely, to direct that the shares be "subject to the restrictions in Part XV." It would be remarkable if the court could arrogate to itself the jurisdiction to make an order not merely in a different form but one which ran counter to the express wording of the restrictions.

Greenrod Holdings Ltd v Oragwu

(FT, July 12)
 The defendant, who was in financial difficulties, sought to borrow money from the plaintiff, Greenrod, a licensed credit-broker and an experienced lender. A draft contract for sale was agreed where the sale price was set at £70,000 and a deposit of £15,000 was for-

warded with an option for the defendant to redeem within two months on repayment of the deposit. The money was spent, the contract for sale was never completed and the option to repurchase not exercised. Greenrod successfully claimed specific performance. Dismissing the defendant's appeal against the order, the Court of Appeal stated that (1) there was plainly part-performance by Greenrod on the payment of £15,000 so even though there might not have been a sufficient memorandum of all the terms to satisfy section 40 of the Law of Property Act 1925, Greenrod could still enforce the agreement; and (2) as Greenrod had insisted on an immediate sale as a condition of the transaction, the intended arrangement was not a lending transaction but an absolute sale with an agreement for repurchase. Thus the vendor did not have a right of redemption as in the case of a mortgage.

Home v Punjab National Bank

(FT, July 14)
 After the defendant bank closed its UK offices by March 31 1987, the winding-up activities were carried on by two employees from the State Bank of India. In August 1987 the bank delivered to the Registrar of Companies two returns authorising the two employees as accepting service on its behalf. Both had left for India by February 1988. On December 31 1987 the bank requested cancellation of its registration and the Registrar's file was closed on January 1988. On February 24 1988, the plaintiffs issued a writ which was served at the State Bank's offices in an envelope addressed to one of the employees. Dismissing the bank's appeal against a refusal to set aside service, the Court of Appeal stated that effect had to be given to e. 695(1) of the Companies Act 1985, which provided that "any process to be served on an overseas company is sufficiently served if addressed to any person whose name has been delivered to the Registrar."

The Wise

(FT, July 18)
 A cargo of motor spirit was short-shipped according to the bills of lading faxed by the sellers, Vitol, to the buyers, Esso. Then the day after the vessel sailed it was hit by a missile

fired in the Gulf war. Esso did not raise the point of short shipment but considered action for late delivery. Thereafter Esso's solicitors wrote that the problem should be dealt with on a "without prejudice" basis and, as a result, agreement was reached with Esso being willing to take delivery and arrange on-carriage under the sale agreement. Inter alia Mr Justice Leggatt ruled that Esso would have been entitled to reject the cargo on grounds of shortfall. Allowing Vitol's appeal, the Court of Appeal stated that Esso had been in possession of documents which made the shortfall obvious but, notwithstanding, two weeks later it had advanced its case not founded on that issue. Two weeks later still it had signed an agreement which defined the dispute in terms, again without reference to the short shipment so that Esso ought not to be permitted at this stage to rely on that fact.

Regina v Inland Revenue Commissioners, ex parte MFK Underwriting Agents Ltd

(FT, July 19)
 Some 62 issues of index-linked bonds were made mostly in American but some in Canadian dollars and were widely bought by Lloyd's underwriting agents on behalf of their syndicates. Confirmation was sought from Revenue officials that gains on disposal, end year revaluation, or redemption would be treated as capital gains and not chargeable to the higher income tax rates. The applicants relied on the confirmation of the Revenue responses that redemption would be assessable to capital gains tax although the Revenue made clear that it had not given a ruling and the confirmation given in writing. Subsequently the Revenue assessed that the capital component was income and should be taxed as such. In refusing judicial review of the Revenue's decision, the Queen's Bench Division held that the correspondence had not created a legitimate expectation that the Revenue would not tax later issues of bonds on what it believed to be correct principles whether that accorded with earlier expressions of opinion or not.

Aviva Golden

(FT, July 19)
 This digest of Trinity Term cases will continue on Friday.

LEGAL NOTICES

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS

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CARPET DREAM LIMITED
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DREAM UPHOLSTERY LIMITED
 Reg. No. 2216729

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 Reg. No. 2241014

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DREAM CREATIVE STUDIOS LIMITED
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DREAM INTERIORS LIMITED
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DREAM LAMPSHADES LIMITED
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HIGHGROVE UPHOLSTERY LIMITED
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CURTAIN DREAM FITTING SERVICES LIMITED
 Reg. No. 2250740

CURTAIN DREAM MANUFACTURING LIMITED
 Reg. No. 2250551

Notice is hereby given that M J Moore and D J Waterhouse of Cork Quay, Albion Court, 5 Albion Place, Leeds LS1 6SP were appointed Joint Administrative Receivers by Barclays Bank on 24th July 1989 under the terms of various debentures.

M J Moore and D J Waterhouse
 Joint Administrative Receivers

Cork Quay
 Albion Court
 5 Albion Place
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that as of 18th July, 1989 Sanwa Australia Leasing Limited changed its name to Sanwa Australia Finance Limited. The above-mentioned Notes will remain listed under the previous name but followed by the new name. Each new notice to Noteholders will contain both names. The Notes will not be stamped or exchanged for new Notes. A complementary legal notice as well as amendments to the statutory documents have been lodged in Luxembourg.

LEGAL NOTICES

ASHFORD HYDRAULIC SERVICES LIMITED

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 Trading name: Ashford Hydraulic Services Limited
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 Office holder numbers: 2482 and 426
 Date of appointment: 8 August 1989
 Name of appointor: Yorkshire Bank Plc.

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MANAGEMENT

Office equipment

How AFP has been 'coaching' Gestetner back to health

Vanessa Houlder explains that the UK maker of stencil duplicators, backed by its Australian shareholder, has set out to exploit the strengths of its international distribution system

For many years, Gestetner had the dubious accolade of being one of the most distinguished but old-fashioned names in the office equipment business.

While other companies perfected the high-speed copier, Gestetner was renowned for churning out scores of identical documents.

This out-dated product has been at the heart of a fundamental dilemma about Gestetner. Was it a sleeping giant with a superb but under-exploited brand name and distribution network? Or was it a company without products that has been hopelessly left behind in a bitterly competitive industry?

The second view seemed increasingly probable as Gestetner struggled to reverse the decline that took it from a profit of £30m in 1977 to a loss of £2m five years later.

There was, however, little doubt about the group's potential in the view of AFP, an Australian investment company, which entered the scene in November 1986. AFP offered to inject £14m in return for a 15 per cent stake and a right to subscribe for new shares that could take its stake up to 55 per cent by the end of 1991. As a result, it took over management control from the Gestetner family, which had run the company for the previous hundred years.

AFP describes itself as a new type of investment vehicle, avoiding the hostile tactics of raiders like Ron Brierley and Robert Holmes à Court. "We wanted to be a supportive shareholder. We would work with the company and look only for capital gains and not for dividends," says Basil Sellers, the 53-year Australian textiles magnate who runs

AFP and is chairman and chief executive of Gestetner.

When AFP talked of Gestetner's "tremendous future", however, its enthusiasm was met with some scepticism among company observers. For one thing, even some of the leaders to the field were finding the office equipment market hard going.

Furthermore, Gestetner had seen recovery attempts before. In 1983, the company had slashed costs and put greater emphasis on distribution at the expense of certain manufacturing operations. It stopped developing its own photocopiers and started to distribute Japanese copiers, made by Mita.

At the same time, it tried to develop a desk-top publishing machine. But although the cost-cutting measures led to an apparent improvement in 1985, profits once more declined in the following year.

However, AFP was undeterred. In its view, Gestetner had an outstanding brand name and worldwide distribution network, dragged down by an overbearing head office. "Our first thought about the company was to dismantle the bureaucracy and decentralise it," says Sellers.

Before long, it had sold off its 14-acre head office in Tottenham, north London, and sacked 270 administrative staff. In its place, it established a small head office in London which dealt with tax, treasury management and accounting, while all other decision making was pushed down to the regions.

AFP aimed to strike a middle path between the extremes of taking all strategic decisions at head office and the thorough decentralisation found, for example, in Hanson, the industrial conglomerate. "We have a coach role," says Greg Melgaard, deputy chairman, who is

a former consultant at McKinsey. "We help regions think about strategy. If they reject our support - and continue to do well, that is acceptable."

At the same time, AFP tried to tackle the lack of marketing thrust in the company. Despite the layers of senior management, there were no directors with responsibility for specific products.

So the question of how to get regional directors to take advice on products under the new structure was a sensitive one. "We could have recruited three product directors and they would have been murdered," says Melgaard. "We have to put on a totally new management technique."

His solution was to allocate responsibility for a product to each regional director. This way, he reasoned, they would have sufficient credibility and status to influence other directors.

"It worked fantastically well," he says. "It is the only way consistent with really putting responsibility down to line managers."

Otto Flum, aged 39, combines responsibility for offset and stencil machines with being a regional managing director for Central, Southern and Eastern Europe. He endorses AFP's policy, suggesting that responsibility for day-to-day operations in the field makes product directors less likely to dream up unrealistic plans.

Flum, who has been with the group for 17 years, points to a general shift in philosophy throughout the company. "In the past, we were much more administrators than businessmen. Products were produced in the UK and distributed to the countries and no entrepreneurial role was really necessary."

Flum blames the company's early problems in marketing Mita copiers on an ethos that stressed defence of market share. AFP's arrival marked a shift to a far more aggressive attitude, aided by more resources and a greater flexibility on the payback period of the marketing campaign, he says.

"All this has been done without traumatic changes to the management," he notes. "If you give them responsibility, people are quite good at developing themselves."

This change of style is underlined by Mike Steptos, the newly recruited manager of the UK operations. He found that Gestetner's style, in contrast to its "dusty" image, was not dissimilar to that of his previous employer - the fast-growing Erskine House, an office equipment distributor.

This change has been recognised by the industry, he claims. "Staff used not to be attracted to Gestetner. Now suddenly good people are contacting us."

Leaving aside questions of management style, however, perhaps the most urgent task for AFP was how to build up Gestetner's product range. AFP took the view that distribution ought to be emphasised at the expense of manufacturing. "We had a terrific brand name and a very good distribution network but our manufacturing skills were not that special. If you have a choice you should build from strength rather than compensate for weakness."

Accordingly it pushed the proportion of equipment sales sourced from outside up from 62 per cent to 71 per cent over two years. Gestetner's product review got under way at the start of 1987, and prompted it to add fax machines and laser printers to its range. As a



Basil Sellers: first thought was to decentralise the bureaucracy

result, it believes it has a classic product portfolio.

Gestetner believes that the range is complete - allowing for variations on the themes, such as its new Copy Printer, which is a hybrid of a photocopier and a stencil duplicator. "We are satisfied that no major new products will be required to achieve our ambitious growth objectives for at least the next three years," says Sellers.

But although Gestetner may have rounded out its range, its new products have not been without problems. In 1987, it embarked on a joint venture, with Impact Systems of Australia, to distribute laser printers. In April 1988, Impact went into receivership, with accumulated debts of A\$17m. Although highly embarrassed by the incident, AFP bought the assets from the receivers and it now believes it has a good product.

The fax market may also present problems. Its phenomenal growth of the past four years has slowed significantly in the last six months and Gestetner admits it has suffered price degradation at the low end of

the market. Also it has not yet been able to tie up a sole agency agreement with a manufacturer, which would bring with it a price advantage, security of supply and participation in the design process.

Overall, the main benefit of Gestetner's presence to the fax market may be merely that it allows it to offer a complete range of products to its customers, even if it contributes relatively little profit. "In fact, we do not view them very seriously. They are fairly new entrants and their overall penetration is tiny," says Julian Lloyd, editor of What to Buy for Business.

But even if the jury is still out on certain products, the first phase of AFP's reshaping of Gestetner is generally deemed by analysts a striking success. The company reported interim profits for the year to April 30 of £16.2m, compared with full year profits of £8.8m in 1986.

Trading margins have increased from 3.6 per cent in 1986 to close to 8 per cent in 1989 and - except for some further work on cutting down working capital scope for further improvement - is limited. "The big recovery phase is over. They have

got the business firing on all cylinders," says Jane Anscotobe, an analyst at Barclays de Zoete Wedd. As a result, AFP is hitting the acquisition trail with the goal of acquiring service or distribution businesses serving a similar customer base. "We are moving out of a period of focusing on operations towards looking at growth," says Melgaard.

Gestetner's ambition will be supported by a generous war chest arising from AFP's subscription for £115.5m of convertible loan stock in Gestetner. If fully exercised, this gives AFP control of the company.

The company made its first move in 1987, when it acquired an Australian photographic and imaging equipment distribution company from the beleaguered Chase Corporation, a New Zealand property and investment company.

The acquisition may fill an interesting role for Gestetner, which may have to come to terms with selling more lower margin products. This is the view of Flum: "I do not think that we will gain a lot by improving on margins. The real challenge is to enlarge our business, add on products and improve distribution channels," he says.

Accordingly, Gestetner envisages alternative distribution channels as well as new products. Whereas Gestetner is primarily based on a direct sales force - the best technique for service intensive goods - Hanimex's products are sold through distributors, which are far more suitable for lower margin goods.

Accordingly, Gestetner envisages selling relatively low cost items such as personal copiers and personal fax machines through Hanimex.

Hanimex though is only a start. Gestetner - capitalised at £165m - has made plain that it intends at least to double its size through acquisition. Whether the changes of the next two years, the future is likely to be even more tumultuous. In some respects, this is a daunting prospect. "The easy stuff is done. Now it gets harder," says Jane Anscotobe of BZW. But Sellers, who underlines AFP's commitment to Gestetner, is optimistic. "Gestetner has a tremendous future. So far we have only scratched the surface," he says.

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Preparing for 1992

Ransomes takes an incisive approach

Tim Dickson reports on the exemplary attitude of Europe's largest grass-cutter maker to the opportunities offered

Any small or medium sized British company weighing up the implications of Europe's single market could do worse than drop in on Sandy Cameron, company secretary of the Ipswich-based engineering group Ransomes Sims and Jeffries.

Appointed "Mr 1992" by his chief executive Bob Dodsworth early last year, Cameron gets high marks for his professional approach to the job from the author of a new 77-page practical management guide published by the Brussels-based consultancy Comark Rowland. Through a series of case studies Comark's booklet illustrates a variety of the challenges of Europe's single market - from recruitment and distribution to marketing and R&D rationalisation - faced by companies entering the fray for the first time or expanding their operations inside the enlarged European market place. But it is the "painstaking attention to detail" at Ransomes - Europe's largest manufacturer of grass-cutting machinery for the professional user, with a turnover of £92m - which is held up as one of the most useful models from which others can learn.

Cameron essentially followed the action checklist issued by the Department of Trade and Industry, which he sent to each departmental manager as a means of identifying weaknesses and strengths and drawing up an action programme for the company.

This covers questions of general policy and marketing thought at times Cameron and his team supplemented the DTI approach with their own questions. On finance, for example, they asked: "What are the effects on profit and loss

account, balance sheet, and cash flow, of the wider market" with sub-headings such as additional transport costs, sales promotion, changes in sales terms and multi-currency invoicing.

The section on personnel is also highlighted in Comark's account, including the question "Should Ransomes consider changing, rationalising or extending our operating bases or opening new ones in the light of skills availability, labour costs and continuing differences in national employment legislation" in the European market?

Among the comments on marketing was one stressing the need to improve market information by extending surveys on French and German golf courses to the other countries of the EC, while the company's summary on information technology pointed out that changes to the computerised stock and delivery system had to take into account 1992 as well as other requirements.

A detailed progress report last November showed that priority was being given to language skills among staff, that emphasis on the computer side was being given to the development of a suitable order processing system to meet the needs of the single market, and that new efforts were being

made to evaluate market conditions and needs post-1992. "This is a long-term project and until our policies are clear, many other issues cannot be resolved," wrote Cameron.

Cameron's comments on the whole experience are also worth recording. Talking about the six-week meetings of the working group, he says that minutes are circulated to all the group's executive directors. "It is interesting that more than half the points raised relate to the efficient day-to-day running of the business and, of the remainder, most form part of our current strategy for growth. Only a small number - specifically relate to 1992 issues, but these have enormous strategic significance to our business."

"Understanding the new Europe and how we will have to market to Euro-customers is the number one priority, but just as we had to guard against complacency about our ability to compete in Europe... so we must not neglect the basics. It's all very well for companies to buy up huge shares of the market by a policy of acquisition, but we still have to remember the more boring matters of administrative detail."

Comark's study touches on the experiences of an admirably wide range of companies and is easy to read - but is a shade superficial in parts and wanders frequently into general narrative about how companies have positioned themselves over the years for the European market, thereby straying a little from the strict "1992" label.

*Published for Comark Rowland, 27 Chaussée de Charleroi, 1060 Brussels, Belgium. Price £100.

INCENTIVE TRAVEL

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ARTS

Green issues still seen in shades of grey

Where does BBC1 stand on arts subsidies? What are ITV's politics? Does Rupert Murdoch's Sky TV agree with Report Murdoch's *Today* newspaper on green issues? What does BBC's press critic think of the *Doyle Mirror*? How does Channel 4 see the future of nuclear power? Which channel is most left wing?

Who knows the answer to any of these questions? In fact they are virtually meaningless because television is still firmly under the thumb of government, which is determined to keep the shackles on. Politicians choose to assume that television is an immensely influential medium, and so far there are no signs of any broadcaster with the ambition or guts to do what 18th century newspapermen did and break out of the politicians' prison for the sake of freedom of expression.

In the last 10 days there appears to have been a significant change in public perceptions of television, but television is incapable of registering the fact. Up to now the Green Party and its members have been seen as the Little Sisters of modern politics, saintly, selfless, ready to go out and hurt themselves under the banner of a noble cause, to monitor the outfall from Sellafield, and so on. Then came modest success in the European elections, and the dawn of awareness, at least among political journalists, that the Greens were not another CND but rather a political party with a manifesto.

On Friday August 4, *The Independent* published a "World View" centre page feature by Richard Davy. It was headlined "Beware the Stallions of Greenery" and it did what good journalism quite often does: pulled into focus something which had been hovering, fuzzily at the edge of the picture. It warned that however well intentioned the Green Party may be, totalitarianism lurks behind them. Markku said Davy, years ago for something to believe in, as well as an efficient market place, and greenery could offer the deposit for that belief just as communism once did.

Six days later *The Spectator* appeared with a cover showing an oak tree with green leaves and branches above ground but red roots beneath the surface. In his column, Auberon Waugh took up the bait (acknowledging Davy's article and not waiving it), describing greenery as "something for the boobies now that socialism has failed".

Two days later, in the *Sunday Times*, Simon Jenkins wrote an article headed "Supergreen: gives way to superimpy", which argued that "ecology has been pur-

loined by an elitist intelligentsia". All of a sudden the "small is beautiful" brigade of Greens seems to have been transformed into jack booted gung-hoers. The fascinating point is that the change has occurred entirely in the print medium. It will take weeks, certainly, months probably, and years possibly for television to come to terms with this change and reflect it in its programmes.

It took television decades to catch up with the environmental bandwagon. They ran countless wildlife series, but as late as summer 1987 this column was complaining about the absence of regular environmental programmes, despite the passing of the 25th anniversary of the appearance of Rachel Carson's *The Silent Spring* - in print, of course.

For television the difficulty with events such as the sudden switch in attitudes towards the Greens is that they are concerned wholly with matters of opinion, and television is still amazingly bad at dealing with this commodity, which is so fundamental to a free society. True, there are a couple of

The reluctance of television to take an opinionated stance on the objectives of environmental pressure groups is indicative of a deeper malaise, says Christopher Dunkley

enclaves on Channel 4 marked *Opinion on Camera*, but the idea of an evening channel very little part, even if believed during general election campaigns, except to the extent that it provides clear impressions of the personalities of the political leaders. BBC1 and ITV have budgets of tens of millions and are watched every day by millions of viewers. Yet in the world of ideas *The Spectator* and the *New Statesman*, with budgets and readerships running only into thousands, are both immeasurably more influential.

The whole point of these magazines is their socio-political attitudes. Comment is not short notice the services of Kurt Masur, no less noted as a Beethovenian, but one whose experience and understanding guided the symphony back along traditional lines to the sort of Beethoven's Ninth that has long adorned the Proms in its usual place on the penultimate night. Masur's performance was confident, easy, untroubled, joyous. Where other conductors create problems for themselves trying to sort out awkward sonorities, or make tempo changes relate in a convincing way, Masur goes forward as though oblivious of

hidden away in some little box carefully labelled "Opinion" for fear of its being infectious; that is the entire purpose. But television just cannot do that. Before it can deal with this dramatic change in attitudes towards greenery it has to find some way of enmeshing it. Equal numbers of pro- and anti-green spokesmen have to be brought into the studio to cancel one another out; or an expert commentator from a newspaper has to be found to verbalise the piece he wrote elsewhere, and then be ferociously grilled by a television presenter to prove that these views are not espoused by the television channel itself.

And why is television not a vital part of the opinion-forming process? Why is it not featuring at all in green revisionism? Why do broadcasters not emulate the old newspapermen and break out of the cage maintained for them so carefully by politicians? It is difficult to avoid the feeling that the main reason is television's inherent inferiority as a medium for the airing of ideas. Television is an efficient means of piping light entertainment into the home. It is a splendid medium for sport. It is often useful for exploring popular culture. It can be used by expert producers to add to history a dimension which could never be achieved via print. Given vast lead times, huge budgets and a big staff it can even, once in a blue moon, make a contribution to the history of ideas such as *The Ascent of Man* (though that is not the same as contributing to the ideas themselves).

But when it comes to catching opinion on the hoof, television seems sadly inferior. As a means for the serious propagation of ideas it can offer the studio discussion or the lone talking head; neither as effective as the 500-year-old medium of print, nor even as good as its own poor relation, cinema radio. There is still a feeling that television and television's own people are a real part of the process of hammering out ideas. All television does is to supply a secondary outlet for politicians who already have Parliament, for journalists who have their newspapers, and for academics who have their books and lectures. Who ever heard of an opinion-former setting out to make his career in television? Where is television's own Richard Davy? Its own Auberon Waugh?

For so long as it fails to provide its own people of that stature, and fails to find an effective technique for handling ideas, and - above all - fails to break the stranglehold of the politicians, just so long will television continue to be treated by the British intelligentsia with scorn or amusement or impatience, and rarely - if ever - with respect.



Owen Fouere in the title rôle of *Salomé*. Picture: Alastair Muir

Spanish National Ballet *Salomé*

PLAYHOUSE

Spanish ballet has a long and uneven history. Across the years attempts have been made to produce theatrical, narrative and divertissements using the riches of Spanish steps, but with too little success. Jose Granero's choreography allowed Jose Antonio, director and leader of the troupe, in spin and strike attitudes and reveal a fluent technique. It told us nothing about the music save on the most obvious and perhaps misleading terms as an exorsa for stamping and those affronted glares that are stock in trade of the style.

Granero's *Bolero* filled the stage, Busby Berkeley fashion, with union clattering and mangleings of bodies, ladies appeared from behind Art Deco mirrors and swayed; chaps in rather hot-looking leather trousers arched their backs and changed their shirts. The Scottish Philharmonic Orchestra whipped itself into a crescendo under Benito Luzzatto's baton as did the dancers. It was good clean cabaret fun.

little what anyone does to the *Bolero*, because it is not music; but the *Alborada del Gracioso* deserved far better than to be turned into yet another obvious Spanish solo. Jose Granero's choreography allowed Jose Antonio, director and leader of the troupe, in spin and strike attitudes and reveal a fluent technique. It told us nothing about the music save on the most obvious and perhaps misleading terms as an exorsa for stamping and those affronted glares that are stock in trade of the style.

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EDINBURGH FESTIVAL

Salomé

ROYAL LYCEUM THEATRE

Did Richard Strauss's opera improve upon Oscar Wilde's moonstruck idyll of sensual delights? The answer this week from the Edinburgh Festival is resoundingly positive. The theatre has long given up making any serious claims for Wilde's indulgent farrago in the palace of Herod, although it once formed the basis of one of Lindsay Kemp's finest hours.

I suspect that Steven Berkoff himself overrates the play, not surprisingly, perhaps, in the light of his asinine underestimation, printed in the programme, of the great comedies. Berkoff's mannered, measured revival for the Gate Theatre of Dublin at the Royal Lyceum Theatre (a visit sponsored by Standard Life) eschews the Art Nouveau decorative approach and harnesses all scenic reference to Herod's terrace and banquet hall. Instead, we visit "a dinner party at Herod's house" populated by mincing mannequins in white faces and black and white 1930s costumes.

The evening is a one-paced physical display in slow motion matched by a linguistic decomposition achieved by deliberate enunciation of Wilde's clogged apostrophes.

A rhubarb babble of cocktail party chatter belongs to another piece - after this preface the chorus does virtually nothing apart from whistling and moaning in time-honoured fringe tradition to signify the fastening of the wings of the angel of death - and the intonation of the opening lines ("How beautiful is the Princess Salomé tonight," "Look at the moon! How strange the moon seems") sets a metronomic rhythm which is only interrupted by Jokanaan's prophetic outbursts.

As in Coward, passion is here deemed bad manners, a reduction of Wilde's purpose. But Joe Savino as the bearded, half-naked Jokanaan, isolated centre

stage in a spot, and Owen Fouere's lilywhite Salomé, convey both the fear and the fascination of carnal craving. And at least the point of the kiss on the lips is preserved, something you cannot say of the Festival Folkopera with its orgiastic interpolations.

Otherwise, you miss quite a lot, and not only Strauss's surging orchestrations, for which Roger Doyle's deliquescent meanderings at the piano are a sadly inadequate substitute. All properties are mimed: the wine glasses, the lush fruit Herod wants indented by Salomé's pretty teeth, the sword on which the sexually enslaved Young Syrian (played by David Heap) impales himself. There is not even one veil, let alone seven, for Salomé's fateful dance, and the choreography at this point extends only to a few uninteresting and minimally erotic slips and slides. At which point, you realise with horror that you will not even see the severed head.

Nor do you, Miss Fouere fondles space and the element of obsessive necrophilia so marvellously transmitted in the Leith Theatre goes out the window. Where Wilde wants pure luxuriance of verbal style to do the work, he provides the material, as in Herod's great three-page litany of alternatives to the decapitation. Alan Stanford delivers this magnificently. On a rising swell of desperation he intones his hundred white peacocks, amethysts and topazes, onyxes "like the eyeballs of a dead woman," forbidden crystal. Each delight is a final throw - "In a collar of nacre I have three wondrous turquoise." But all to no avail (and no, veil). This girl wants to get a head.

Michael Coveney

London Philharmonic

ALBERT HALL
In recent years the Proms have put before us some challenging views on Beethoven's Ninth Symphony. Solti making an Olympian ascent from tragedy to triumph; Abbado cleansing the old master with an Italian's sharpness of definition; and Roger Norrington, who overturned decades of Prom tradition by playing the symphony on period instruments. This year the intention was to entrust the work to Klaus Tennstedt, but he was sadly forced to withdraw after a bad fall. In his place the London Philharmonic were fortunate to secure at

short notice the services of Kurt Masur, no less noted as a Beethovenian, but one whose experience and understanding guided the symphony back along traditional lines to the sort of Beethoven's Ninth that has long adorned the Proms in its usual place on the penultimate night. Masur's performance was confident, easy, untroubled, joyous. Where other conductors create problems for themselves trying to sort out awkward sonorities, or make tempo changes relate in a convincing way, Masur goes forward as though oblivious of

the difficulties lurking to trap the unwary. The first and third movements passed by as though in a single breath, everything making sense, in detail as in the whole. If one missed anything, it was a sense of confronting the symphony head-on and demanding it to yield up some special store of its secrets, as Solti and Norrington in their very different ways had done in the past. Yet, with the last of the senior generation of conductors from the German tradition now gone, there is a rarity value in a performance which has this

rightness of style. Masur also elicited fine orchestral standards from his players. The LPO wind, in their prominently raised position, sounded especially telling. After a further series of substitutions the solo quartet finally numbered Heinrich Gottschalk, vocalising with gleaming tone through the soprano part, Hanna Schwarz, Anthony Rolfe Johnson and David Wilson-Johnson, tight at the top of his voice in the bass solo, while the combined forces of the London Philharmonic and BBC Symphony choruses provided a vast

choral complement. The symphony was preceded this year by an epic of another kind: an impressive account, at once heroic and tender, of Liszt's Piano Sonata in B minor, played by Peter Donohoe. In this vast auditorium it was only to be expected that the heureka passages would carry immense éclat, but Donohoe also held the audience with the hushed delicacy of his lyrical playing. It was a pairing both chosen and discharged with flair.

Richard Fairman

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ARTS GUIDE August 11-17

OPERA AND BALLET

Bayreuth
Bayreuth Festival. Wagner fans from all parts of the world will see the premiere of a Parsifal production by Wolfgang Willmetts. Conductor James Levine leads a strong cast including William Paul in the title role, Bernd Weidt, Matthias Hoell, Hans Sotin, Franz Mazura and Waldemar Sothmann. After criticism of Henry King's *Ring* cycle production, changes are expected for the revival. The main roles are once again sung by Siegfried Jerusalem/Rainer Goldberg, John Tomlinson, Peter Hofmann and Nadine Secunde. *Lohengrin*, conducted by Peter Schneider has Paul Frey in the title role, Cheryl Studer/Nadine Secunde, Eckehard Witschba, Gabriele Schmitz and Ekke Wilh Schulze.

Pompeii
Pompeii Pompeians Aug 26 to Sept 10 (Rome 066426) 086430.

Rome
Terzo di Caracalla. *Aida*. Last two performances of Sylvano Bussotti's revival of the spectacular 1960s edition, conducted by Nicola Rescigno. Antiquities. *Lohengrin*, conducted by Peter Schneider has Paul Frey in the title role, Cheryl Studer/Nadine Secunde, Eckehard Witschba, Gabriele Schmitz and Ekke Wilh Schulze.

Versova
Versova. This week's performances include Verdi's *Aida*, conducted by Daniel Oren, with Sil-

vano Carroli, Piero Cappuccilli and Paola Burchielli. Gianfranco de Bosio's production of *Aida*, conducted by Edoardo Gubellini (Aprile Millo and Bruno Secchia), and Verdi's *La Forza del Destino*, with Maria Chiara, Giorgio Zancanaro and Nicola Martinucci, conducted by Sandro Bolchi (06617) 806151).

Pesaro
16th Rossini Opera Festival. Opens tomorrow with Michael Bump's production of *La Gazza Lutra*, designed by Carlo Diappi, with Katia Ricciarelli, Luciana D'Intino and Samuel Ramey, conducted by Claudio Abbado. And (Tues) Jean-Pierre Ponnelle's production of *L'occasione fa il Lordo*, conducted by Lou Marin. (08316).

Stresa (Lago Maggiore)
Settimane Musicali di Stresa. Aug 23 to Sept 15 (03063045).

New York
New York City Opera. The week features *Anna Bolena*, last seen in 1981. Donizetti's *bel canto* score is conducted by Scott Bergeson with Marilyn Mims in the title role and Harry Dworkin as the king. *The Mikado* features Richard McKee as the Mikado in Lofti Mansouri's production conducted by Peter Howard. Other performances include *Rigoletto* with Maurice O'Flynn as Gilda, Susanne Marose as Maddalena and Pablo Elvira in the title role, conducted by Scott Bergeson, as well as *Cornea*. Lincoln Center New York State Theatre (877 4700).

Bits and Pieces

DOMINION THEATRE

Wayne Sleep's latest show, *Bits and Pieces*, is almost non-stop dance. Ballet, tap, modern, Cabaret, Cats, *Song and Dance*, parody of ice dancing, jazz dance, breakdance: the show's net is cast wide. And it zooms along at quite a lick. Sleep himself dances unstintingly throughout the evening. We haven't seen a dancer burn himself up on stage this energetically since before Nureyev started to look tired some 13 years ago. And Sleep - who is now, as he reminds us, 41 - is still spinning and jumping with astounding flash.

I can't help but be sad, however, when I see that dancing isn't really the point of the show. What Sleep is about is show, and he is one of its brightest exponents. The thrill of his turns and leaps, and of most of what his team does, is acrobatic. The differences between ballet and breakdancing aren't interesting in *Bits and Pieces*, because they are delivered the same way and to make the same easy wow effect. None of the cast of 11 is serious about any of the dance forms they perform, as you can see from the crude leg work of the so-called warm-up that opens the show. Why be serious, after all? This is entertainment, isn't it? So why bother about finesse?

The stellar personality of the diminutive Sleep carries this glib evening along smoothly. As always, he happily lets his lack of inches be turned to comic ends, and he has all his colleagues giving off the same kind of bright-eyed outer energy as he. None of them is a blank, and some are very likeable. The comedy passages are played with invariable mugging at the audience. Which is okay in some numbers, such as "Your Feet's Too Big" group dance; but it spoils the neat *Chaplin* pastiche and the wit of *Bourvil* and *Cream*, a clever medley of Torvill and Dean numbers that Sleep does with Nicola Traberne.

Marion St Claire, the evening's Sleep-scale ballerina, performs gamely throughout. Her granite charms become softened with the relaxedness with which she sings and gyrates along with everyone else.

This show is not aimed at dance connoisseurs, and it isn't aimed at letting novices discover how interesting dance can be. It could afford to be less relentless in its rock beat and its efforts to whip up applause. During the final dance variations from the Lloyd Webber *Song and Dance*, Sleep spun like a top and whipped through circuits of jumps at breakneck speed - and I was fighting to keep my eyes open.

Alastair Macaulay

FINANCIAL TIMES

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Dialogue with Argentina

IT IS a matter of some moment these days when Britain and Argentina talk to each other over the same table. For this reason the session due to begin in New York today deserves an unqualified welcome accompanied by the hope that the mutual suspicion which underlaid the last attempt at reconciliation in Berne in 1985 has now dissipated. But more than good intentions will be needed if the two countries are to set aside the legacy of the Falklands war.

Much has happened in the few weeks since Mr Carlos Menem took over as President of Argentina. Contrary to campaign rhetoric, he has displayed a remarkable and unexpected degree of pragmatism since taking office. The concession which brought Britain into direct, albeit preliminary, talks was Argentina's agreement to place the issue of disputed sovereignty over the Falklands under an "umbrella," which means that it does not renounce its claim but agrees not to prosecute the issue in the proposed negotiations.

Both sides now seem to realise that a prolonged dialogue, and hence a more stable relationship, is the necessary precursor of any lasting solution. But there are also more immediate commercial benefits to both: Britain wants to restore air links between the two countries, and Argentina wants a better international reputation for its attempts to restructure its economy.

Much-needed realism

Mr Domingo Cavallo, the new Foreign Minister, seems to have injected some much-needed realism into Argentina's foreign policy. He obviously has taken on board the fact that since the war Argentina, lacking political, military or economic leverage, has failed to make any headway in asserting its claim to the Falklands. Every year, the issue is brought up at the UN, and every year, support for Argentina's position has waned. Its change of strategy deserves a thoughtful response from Britain, which has always tended to assume that there is no Falklands problem, only an Argentine problem. It talks are

to come to anything, then this assumption will have to change. Successive British governments have underestimated the importance of the issue to Argentina. The belief that the islands are as much a part of national territory as Patagonia is embedded in the national consciousness - sometimes below the surface, but always there. Mr Menem, who is by nature a populist, understands this and his credible refusal to exploit the sentiment so far does not mean that he may not in the future.

Border disputes

There is also a prevalent British belief that Argentina's recent turbulent history has caused it to lose perspective and that over time the importance of the issue will fade. This is not necessarily so. Border disputes are a very potent symbol of national frustrations and aspirations. Only island nations with friendly neighbours can afford to forget this.

There is some pressure upon Britain to make a concession to match those made by the Argentines, and some reluctance on the part of the British to do so. Britain can justifiably claim that it has already trodden the path that Argentina is now embarking upon, having restored trade relations three years ago, and ended hostilities in 1982.

But this is to miss the point. If the present negotiations are to succeed, then Britain must display a measure of good faith and that will mean showing some confidence in the process.

Argentina is asking for a relaxation in the Falkland Islands Protection Zone, the military exclusion area around the archipelago. This could be achieved without dismantling the islands' defences.

There is, of course, still room to doubt the sincerity of Mr Menem. But even so, Britain cannot afford to ignore the opportunity. The Argentine President is in a better position to negotiate than his predecessor, Mr Alfonsín, because his nationalist credentials are unassailable. He is also in a more secure position with the military. If this chance is blown, it may be another four years before another opportunity presents itself.

An unbalanced economy

AT FIRST glance, the Central Statistical Office's estimates of household income by county, published yesterday, appear to undermine traditional views of Britain's "north-south" divide. In 1987, household disposable income per head was higher in North Yorkshire than in Buckinghamshire, higher in Grampian in Scotland than in Hampshire, and higher in Cumbria than in Cambridgeshire. The figures even explode the claim that Northern Ireland is the poorest part of the UK that prize goes to Mid-Glamorgan in Wales.

But the existence of pockets of relative affluence outside the south east has little bearing on the overall distribution of income and wealth in the UK. The analysis also shows that 43 per cent of total UK household income (£141bn in cash terms) accrued to families living in the south east or south west. The contrast with other regions is stark. Total household income in Scotland, Wales, and Northern Ireland was only £28bn, £14bn and £7bn respectively. Given this aggregate distribution of purchasing power, it is hardly surprising that the south remains a magnet for business.

The market power of the affluent south east is obviously in part a reflection of the higher incomes of households. Income per head is 15 per cent above the national average. Its predominance ensures that all other regions - except the south west - are classified below average. But the figures also bring home the importance of the skewed distribution of population, which bears no relation to the availability of land.

Attractive market

There are more people in greater London than in the whole of Scotland and nearly twice as many in the south east as in Scotland, Wales and Northern Ireland put together. Within England, nearly half the population resides in either the south east or the south west. It is the combination of population density and high per capita income which makes the south of England such an attractive consumer market. Unless people can be persuaded to move, there is little hope of achieving more balanced economic development.

In the late 1980s there are two faint grounds for optimism. Technological developments mean that many people theoretically no longer need to live close to their place of work. Increasingly, it may be possible for people to live in relatively depressed regions such as South Yorkshire and maintain contact with their offices via interactive computer links. The low cost of living - particularly of housing - in depressed areas offers potentially large arbitrage benefits for companies: they ought to be able to attract distance workers even if they offer salaries substantially below the going rate in affluent areas.

Quality of life

The speed with which such possibilities are explored will depend on a second factor: the deteriorating quality of life in the congested south east. The failure of Government to invest sufficiently in infrastructure can be regarded as a particularly brutal form of regional policy - a reversal of the strategy of previous decades, which was to try to make the depressed regions more attractive. The growth of the long-distance commuter is one sign that people are rejecting the kind of life on offer close to London.

One snag, however, is that the Government's political support is heavily concentrated in the affluent congested areas: it cannot, therefore, pursue its reverse regional policy indefinitely without undermining its electoral prospects. Indeed, the proposed additional spending on roads, railways and the underground in greater London suggests that the policy has already reverted to one of increasing the relative attractions of the south east. In addition, the completion of the Channel Tunnel and the region's role as a conduit for physical trade with the Continent will tend to accelerate its economic development.

Finding a regional policy that works will thus remain an important challenge in the 1990s. It is easy to see that the average quality of life would be higher if population and income were more evenly distributed. The problem is finding an effective means of promoting such trends.

As political theatre, the events of the past few days in South Africa have proved hugely entertaining. For while the fact of Mr P W Botha's departure from the political scene had long been in prospect, the manner and the timing of his exit were chosen for maximum dramatic impact.

They were also chosen by the embittered old President to inflict serious electoral damage on the ruling National Party, which has three weeks in which to repair its image before contesting the most crucial elections of its 40 years in power. But while the effects of Mr Botha's resignation will clearly be felt on polling day, September 6, it is far from certain that his surprise resignation on Monday night will significantly alter the party's chances of forming the next government in South Africa. The resignation, and the unseemly public bickering which preceded it, will not have improved the image of a party which has shown ample evidence of confusion and disunity in the past. But for the party's new leader and acting President, Mr F W de Klerk, Monday's showdown with Mr Botha was the sort of political opportunity which could not be missed.

For months Mr de Klerk had lived in fear of the meddling of the sickly and cantankerous President on Monday he gathered his strength and his authority, and banished the old man to the political sidelines. Mr de Klerk must act quickly to market this success to a white electorate which seems to feel some sympathy for the outgoing leader. So far, his election campaign has lacked the decisive leadership which it needs to succeed. His new position as head of both party and Government may give him the platform from which to launch a more determined campaign.

Yesterday's swearing-in ceremony set a new tone. After taking the oath of office as acting President, Mr de Klerk spoke of a new dawn in South Africa and held out the hope of a southern African peace. "We stand on the threshold of a new era in South and southern Africa," he said. "History, I believe, offers us a unique opportunity for a peaceful solution. I trust that the people of South Africa will in these days have the courage and vision required to break the cycle of conflict, tension and isolation that has gripped us for so long."

But these are the goals which eluded Mr de Klerk's predecessor, Mr Botha, and there is little evidence yet that he will find them any easier to achieve. First he must fight and win the September 6 election, and even the most optimistic scenario put forward by National Party officials - which has Mr de Klerk earning significant political capital from the Botha resignation - cannot obscure the fact that the party's power base has been seriously eroded.

Some public opinion polls have suggested the possibility of a hung parliament. One of the last surveys taken before polling was halted three weeks ago predicted that an 80 per cent voter turnout would cut NP seats from 123 to 78 - six short of an overall majority. Events may overtake these predictions as election day approaches. But for the first time since the Nationalist took power in 1948, and instituted the apartheid system, which has made South Africa an international pariah, the possibility that majority rule by the Nationalists will end with this election is seriously considered.

President Botha's disbar on Monday night served to highlight weaknesses within the party which have brought it to its present predicament. With the instinct of a man who has known and lived party politics for over half a century, Mr Botha attacked the party at its most vulnerable point: its plans for the future racial ordering of South Africa.

The outgoing president criticised Mr de Klerk's planned visit to Zambia,

Patti Waldmeir on South Africa's political prospects after P W Botha's resignation



Squabbling as the party weakens

the immediate cause of the row which led to his resignation, as a betrayal of South African interests. He implied that Zambian President Kenneth Kaunda was harbouring terrorists, and underlined that Mr Kaunda's support for the African National Congress (ANC) made it impossible to meet him before the September elections.

The irony of the situation was not lost on National Party officials, who only six weeks ago were struggling to justify President Botha's own meeting with the man styled by Pretoria as

The resignation will not have improved the image of a party which has shown ample evidence of confusion and disunity

the arch-terrorist, Nelson Mandela. President Botha had invited the jailed ANC leader to tea at his official Cape Town residence, apparently without the knowledge of some senior ministers including Mr de Klerk. And though the party has since tried to draw a line between Mr Mandela and the organisation he represents - officials argue that Mr Mandela has committed himself to peace, while the ANC remains pledged to violence - the electorate may have difficulty recognising the distinction.

It is just this sort of confusion in National Party policies which has provided white opposition parties with such ample material with which to ridicule them. The extreme right-wing

Conservative Party - which supports the most grotesque forms of apartheid and argues for partition of the country to ensure racial purity - has a particular talent for damning the Nationalists with their own words.

A special election edition of the party newspaper reproduces the following National Party response to the question, "can a black man become State President?": "The position of State President can be an important symbol of national reconciliation and should thus enjoy the support of all groups. Although this issue is not on the agenda now, it is important that all groups be able to participate in the election of the state president. However it is the NP's premise that domination of any group by others must be avoided. It is thus necessary that the electoral procedure, as well as the character and the responsibilities of the office of the State President, be reconsidered in order to prevent the office from becoming an instrument for domination."

The Conservatives suggest that "yes" or "no" might have been a more revealing answer. And many potential National Party voters may tend to agree. Such doubletalk from the National Party makes it difficult to avoid the conclusion that having abandoned its unifying ideology - apartheid - the party is lost in a political and philosophical vacuum.

Its officials insist that apartheid must be dismantled. Yet the bottom line of every ministerial speech - and of every pronouncement so far from Mr F.W. de Klerk - is that "group" rights must be protected. And though the party says it defines groups according to cultural affinity, and not

race, one can be forgiven for doubting the substance of such distinctions.

The 11 years of President Botha's rule over the party have none the less been ones of major change in South Africa. Some of the more offensive apartheid laws have been repealed, notably the pass laws and system of influx control which barred blacks from South African cities without permission. Laws banning mixed marriages and sex between races have been removed. And Pretoria has watched while the bedrock of apartheid - the group areas act, imposing

The challenge facing Mr de Klerk is to convince white voters that he can bring the evolution which many accept is inevitable

racial segregation - has been eroded by social and demographic factors which are forcing ever more integration.

But Government policy has been only one - and arguably not the most important - of the forces bringing about the return of apartheid. Pretoria's response to pressure has often lacked coherence, and has certainly lacked vision. And its apparent goal - to satisfy black political aspirations by allowing the majority to share power in a system which leaves whites ultimately in charge - seems as distant as ever.

The challenge facing Mr de Klerk is to convince white voters that he can bring about the social and political

evolution which many accept is inevitable. But he must also reassure them that they will not be swamped by the black majority, a prospect even the most liberal whites secretly fear.

The National Party's five-year programme - to which Mr de Klerk referred yesterday - seems to contain little to advance the party towards that goal. The wording of the document is vague enough to allow numerous interpretations. If Mr de Klerk has a grand plan for reform, he would appear to be keeping it to himself. And well he might.

For the National Party has been shedding voters to both left and right in recent months, and pinning the party's colours to the mast might accelerate the process. To prevent any further erosion of the white middle ground, the NP appears to believe it must appeal to potential supporters of the liberal Democratic Party first. A coalition of three left-wing parties formed only four months ago, the DP is hampered both by its leadership structure - it has three leaders, one from each party - and by a haziness of vision.

In the end, the Conservative Party (whose clear, extreme views are supported by perhaps as much as a third of the electorate) may prove to have more influence over South Africa's future. In the case of a hung parliament, the Conservatives claim they could arrange enough defections of right-wing National Party MPs to guarantee the party a place in a NP coalition. The claim does not seem wholly far-fetched.

Still, the most likely electoral outcome remains continued National Party rule. And with the Nationalists back in power, albeit with a much reduced parliamentary majority, President de Klerk could safely ignore both left and right and get on with the job of constitutional reform. That would certainly prove a more difficult task than the one he accomplished on Monday: the political isolation of a man who has already resigned as party leader six months ago.

Mr de Klerk will be called upon to fulfil the high expectations he has raised in the West, where his talk of a new era in South Africa is cautiously welcomed. He must tackle corruption in government, and bring down inflation and interest rates which are well into double figures.

But more than anything else, he must find a way of meeting the political aspirations of the blacks who represent three quarters of South Africa's people. Three years of detentions and restrictions under the country's state of emergency have left black political organisations in some disarray. But the upcoming elections, which include the Coloured and Indian houses of parliament as well as the white chamber, seem to have provided a new focus for anti-apartheid protest. Anger is building in the country's non-white townships - especially Coloured areas in the Cape - where daily incidents of serious unrest are now reported. The last elections to the tri-cameral parliament, in 1984, were followed by three years of unrest in which 2,000 people died. As the political temperature rises in the townships, more violence cannot be ruled out.

The hope, this time, is that Pretoria and black leaders can be brought to the negotiating table before a new cycle of violence begins. That will be the goal of Mr de Klerk's meeting with President Kaunda, assuming it goes ahead. Yet while both sides are more incentive to seek a negotiated settlement now than five years ago - Pretoria needs a settlement to break out of international isolation and black groups, led by the ANC, are under many kinds of pressure to compromise - resolution will almost certainly be a matter of years.

Both sides are suffering from their continuing conflict. But for the moment, neither side appears to be suffering enough.

Ballooning balloons

Britain's glorious summer has given a big lift to that most traditional of airborne sports, hot air ballooning. According to the Civil Aviation Authority, 63 balloons were certified in the first seven months of this year, bringing the total to 628. This is more than double the number as recently as 1985.

So it was a pity that this month also witnessed two of the worst ballooning tragedies in recent years, one in the US, and last Sunday's deaths in Alice Springs, though I don't get the impression it will cause more than a brief setback in the sport's growth over here.

The Australian crash coincided with the high spot in the British balloonist's calendar, the annual International Balloon Fiesta outside Bristol, which is also the largest jamboree of its kind in Europe. The crowning moment came when 172 balloons got airborne at one time. The organisers reckon they could have got 300 up, setting a new record, but they restricted the number for safety reasons.

Don Cameron, whose British company is one of the country's leading balloon makers, naturally regrets the accidents. But he tells me that a recent study of safety showed that balloons were twice as dangerous per trip as commercial flying, but ten times safer than private aircraft.

"The long term statistics are pretty good," he says. "Although the big surge in UK balloon ownership may soon ease off because of mounting congestion, Cameron still sees some growth left in the market. It costs about the same to buy and run a balloon as it does a car, and Cameron says most people find them much easier to fly than they expect."

Pasta and chips

Which is the most popular cuisine in Europe? The answer is not the French but the Italian. And which is the least popular? No prizes for that, the British.

Mintel, the UK market analysis company, conducted a survey to find out the type of food that Europeans like to eat in their own homes. Most of them prefer their national dishes, of course. But foreign food came out in the following order: Italian, French, Spanish, Dutch, American, German, Belgian and British.

I suspect that these findings tell us less about the refinement of the European palate than about the growing addiction to convenience foods. With all respect to the Italians, their strong showing owes more to lashings of spaghetti and pizza at the family supper table than to the delights of *osso buco* by candlelight. This would also account for the high showing of American food, which captures those mountains of hamburgers, and steak and chips.

OBSERVER



I distinctly heard you say it was a fair cop.

Frank Fletcher of Mintel confirms this view. "Italian food travels pretty well," he says. "It's also seen to provide a flexible and nourishing meal."

Mintel's conclusion is that Europe is moving towards a standardised everyday meal, a depressing prospect for us eaters, but one which no doubt pleases the food industry.

Worth a read

Serious minded magazines have difficulty escaping the traps of self-importance or dullness.

The International Economy seemed in danger of falling into both when it was launched in Washington a couple of years ago. It was packed with worthy but windy articles on great global themes. It also sported an "international editorial advisory board" with impressive names like Karl Otto Pöhl, Jean-Claude Trichet

and Anthony Solomon - usually a recipe for over-earnestness.

But it seems to have learnt its lesson. The magazine has got steadily sharper, and the second anniversary issue which has just come out is an excellent first. The articles include an attack by Carlo de Benedetti on Italy's approach to 1992, and a spirited defence of Japan's arcane financial system by Toyoo Goshima, the vice minister of finance. I also enjoyed the "Gorbo-meter" in which Soviet experts give their bets on how long Gorbachev can stay in power (guesses range from one year to as far as the eye can see).

The magazine was founded by two Congressional staffers, Dick Medley, a Democrat, and Dave Smick, a Republican.

"We realised there was a vacuum for this sort of magazine," says Medley. They sought the support of the key figures in the field, and when Pöhl gave it, they got the initial credibility they needed. Medley admits The International Economy started with too much opinion and too little journalism. So, while much of the material is still written by top people, there is a strong lacing of journalistic input too. The magazine's circulation has reached 17,500, with next month's bumper IMF issue due to run at 25,000. The readership is half US, with the rest split between Europe and Japan. In business terms, it just about breaks even, says Medley.

Clear heads

In their latest review of the whisky industry, the food and beverage analysts at Shearson Lehman Hutton address the question: "How is whisky made?" Their answer: "Beer is distilled twice and put in oak barrels for 500 years after which it is normally blended with other whiskeys and put in a bottle."

Never mix your drinks, they say.

David Lascelles

Oh well,
YOU CAN BE SURE OF SHELL

Alan Pike reports on efforts to get more value for money from the UK police force

Free from paper handcuffs

How efficient are Britain's police? For many people, the answer to this question will depend on what happened the last time they reported a car radio or handbag stolen.

But crime statistics and clear-up rates are only one guide to police efficiency and not necessarily a particularly accurate one. Expenditure on the police service is approaching £2bn a year - policing London alone costs £1bn. The Government, in spite of its reputation as the friend of law and order, has not excluded the thin blue line from scrutiny in its other role as the cause of public sector inefficiency and ministers are showing growing interest in how the money is spent. As a result, chief constables are beginning to give greater attention to the business efficiency, as well as the operational efficiency, of their forces.

Speaking on the subject earlier this year Mr Douglas Hurd, Home Secretary, accepted that it would be "in line to regard a police force in the same way as you would examine a shoe factory." Such a statement was bound to be followed by a *but* - Mr Hurd's was that certain principles of good management practice are valid to all organisations and the Government expects to see them operating in the police service.

"Effectiveness and efficiency are not unrealistic phrases used by theoretical people far from the policeman's beat," said Mr Hurd. "They are an essential and reasonable precondition for increasing investment in the police."

In the past, much of the lobbying for extra resources was conducted around the plausible if not always strictly provable assumption that extra officers were sure to reduce the crime rate. Now, the process is becoming more realistic.

The Home Office has produced a standard form for forces to use when applying for extra resources. Chief constables have to set out "quantified improvements in output and performance" achieved from previous staff increases and details of arrangements for monitoring the effect of increases in resources. The form calls for information on proposed efficiency measures and their anticipated savings in police officer time "calculated in units where possible". Applications for additional personnel will not be approved if the Home Office believes that markets could properly and more cost effectively, be



filled by civilians.

"Civilisation" has been at the forefront of the Government's efforts to improve police efficiency. A civilian costs less to employ than a police constable. Where police officers can be released from administrative tasks it not only saves money, but achieves the objective of increasing the number of police officers patrolling the streets.

A wide range of activities, in addition to those coming under the general heading of clerical and administration, are regarded by the Home Office as suitable to be undertaken by civilians. These include photography, fingerprint examination, road safety, vehicle examination, driving and physical training instruction, personnel and control room duties.

London's Metropolitan Police sets annual targets for civilianisation, and so far 1,300 posts held by police officers have been identified for transfer to civilians. When the force contracted out the wheel clamping of parked vehicles, unit costs went down and the amount of clamping increased threefold.

The Government is attracted to civilianisation because it enables police officers to spend more time on real police work.

Typical uniformed constables spend a quarter of their duty hours on paperwork, while the proportion for sergeants and inspectors can rise to 40 per cent. CID officers, in spite of the action-packed impression given by television drama, run even more risk of eye-strain and writer's cramp than their uniformed colleagues.

In an effort to increase the number of duty hours officers spend on front-line police work, some forces, like West Mercia and West Midlands, have pioneered Administrative Support Units. Such units, staffed by civilians, have taken on the time-consuming task of preparing prosecution files and conducting follow-up inquiries which were previously undertaken by police officers.

The effects on policing of such changes can be striking. A "war on paperwork" in the Thames Valley force led to administrative changes which have increased the amount of time police officers spend on mainstream, out-of-station duties by 22 per cent.

The need to demonstrate such improvements in order to gain extra resources from the Home Office is not the only efficiency pressure on chief constables. HM Chief Inspector of Constabulary, whose depart-

ment carries out periodic inspections of police forces, has become active in looking at efficiency issues and has developed a computer-based matrix of "Police Indicators" which provides a range of comparative information on recruitment, organisational structure, civilianisation, crime detection and many other efficiency aspects of police work. The results are discussed with forces as part of the regular inspection process and, where there are significant variations between forces, these are taken up by the inspectors.

Police forces are also included in the ambit of the Audit Commission, which is responsible for carrying out audits and value-for-money exercises in local government and the health service.

There have been Keystone Cops touches to a few of the commission's initial findings in the police service. In some provincial forces, fewer than 10 per cent of fingerprints found at scenes of crimes are checked against those in headquarters records because of a "serious imbalance" in resources between fingerprint collection and record-checking. Some forces were found to be servicing cars every few hundred

miles - in one case paying workshop staff bonus payments based on maintaining vehicle tyres which were no longer in its fleet.

But Mr Howard Davies, the Audit Commission controller, finds that senior police officers are "interested and positive thinking" in their response to the commission's attempts to encourage greater efficiency. "They see that potentially there is something in it for them - if money can be saved from running support services more efficiently it can be used for something else. Chief constables are generally prepared to admit that they are not experts at transport management and many of the other things they have become involved in, and are willing to accept advice on improving efficiency."

The importance of management is becoming reflected in police training - all programmes at Bramshill police staff college now include the teaching of management principles and techniques. But while there is no doubt that genuine interest in management and efficiency is growing in the higher levels of the police service, the Government's motives in seeking these changes have aroused suspicions as well.

"Policing for People - Not Profits" was the theme of this year's conference of the Police Federation, which represents officers up to the rank of inspector. Fears were voiced at the conference that the Government, while seeking to constrain expenditure on the police, is moving tentatively towards allowing a bigger role for the private security industry, and is putting unacceptable pressure on chief constables to extend civilianisation because it is a cheaper option than an increasing police strength.

There could be no balance sheet in public service crime prevention and detection. Mr Alan Eastwood, the federation's chairman, told his members, but in terms of value for money the public interest was handsomely in credit. Britain had become an infinitely more dangerous and crime-ridden society since 1979 and "if people are looking for evidence of value for money from the police, they only have to look at the yearly total of 17,000 assaulted officers to understand the true nature of policing in Britain as we enter the 1990s."

Developed management in the Kent Police will appear on the Management page on Friday.

Monetary policy

In search of a better yardstick

By Roy Batchelor, Alec Chrystal and Peter Spencer

Ms Thatcher's Government earned the label "monetarist" in its early days by its commitment to control inflation by targeting the M3 money supply. The idea was that the use of money for the settlement of transactions made it a good leading indicator of spending and inflation, an early warning signal.

Yet M3 gave no warning of the 1980 recession, continuing to grow rapidly despite a marked fall in activity and inflation. By autumn 1988, it had become thoroughly discredited and the target was formally abandoned. This decision has been widely debated.

The present upsurge in inflation suggests the need to recalibrate monetary policy and shows the limitations of current judgemental methods. But it is hard to believe that blind adherence to a target for one of the standard monetary aggregates would have been the appropriate policy. Distortions resulting both from the authorities' own regulatory changes and from financial innovation (such as the introduction of building society cheque books and interest on current accounts) have made all the major measures misleading at various times.

These problems are ultimately due to the fact that money can be used as a savings as well as a transactions medium. Traditionally, monetary theory has focused upon the latter role; the transactions function is what distinguishes money from other assets and must be the basis for any predominate use as a leading indicator of spending and inflation. But now monetary assets can pay interest, the savings motive can be at least as important and conventional monetary aggregates,

which neglect the distinction between transactions and savings media, can move quite independently of spending.

What we need to fill this void is an indicator of monetary conditions which measures the transactions services yielded by the money stock. This problem was solved theoretically by François Divisia in the 1930s. The application of Divisia's methods to monetary aggregates was pioneered, a decade or so ago, by Professor William Barnett of the University of Texas. His latest research demonstrates the superiority of his measure to that of the standard US aggregates, including M2. Our independent studies for the UK all reach a similar conclusion.

The central principle of the Divisia aggregate is that monetary assets which yield no interest are unlikely to be held for savings purposes, so they are considered to be pure transactions media. Assets which yield the full market rate on safe capital market instruments (such as local authority deposits) are deemed pure savings instruments. The former receive a weight of unity in the index of monetary growth; the latter a weight of zero. There is gradation in between, so that a savings account which paid interest at half the market rate would, for example, be given a weight of a half when calculating the index. As monetary assets come to pay a higher rate of interest and demand for them increases, the weight which the index attaches to this growth is reduced.

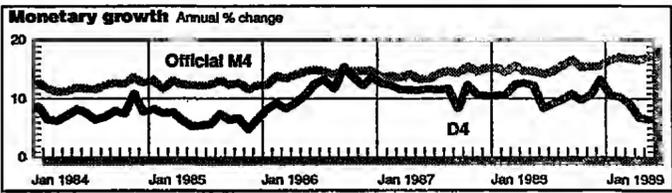
How well do these aggregates work in practice? The chart shows the difference between the recent behaviour of "Divisia M4" (D4) and the official M4 aggregate. M4 has

shown a steady but rising growth rate since 1984. However, D4 showed a marked acceleration in 1988. This difference arose because declining interest rates disguised the fact that transactions money was rising faster than savings money. Thus D4 clearly predicted the current inflationary surge, which was reflected first in the stock market in 1987; then in the housing market in 1988 and is now boosting the RPI. Recent data indicate a distinct tightening which is not evident in M4 or M3, because higher interest rates and the introduction of new types of interest-bearing current account early this year have raised savings money relative to transactions balances.

The D4 growth rate also slowed dramatically in 1979, giving a clear warning of the 1978-80 recession. M0 was the only official aggregate to pass that test, yet it failed to signal the 1972-73 inflationary boom, slowing markedly in 1972. D4 got that one right too.

We conclude that there is a strong case for redesigning official monetary aggregates along Divisia lines, particularly in countries such as the UK and the US which have experienced rapid financial innovation. This case will be strengthened if current moves towards economic cooperation in the G7 and EMS gather pace, since such cooperation can realistically only be based on reliable monetary and fiscal indicators. Even in a fixed exchange-rate system of the EMS type, the problem remains of how to guide monetary policy.

Roy Batchelor and Alec Chrystal teach at City University Business School. Peter Spencer is chief UK economist at Shearson Lehman Hutton, London.



LETTERS

'Horribly efficient'

From Mr J. Scott Merritt, Jr.
Sir, The notion of efficient markets (Lex, August 7) is something conjured up by a few economists (and their current symbiotic patrons, investment bankers) anxious to lubricate corporate acquisition transactions.

They cannot tolerate the paradoxes - or otherwise explain that markets operate on imperfect knowledge and imperfect disclosure principles, and that market prices are generally expressed in terms of transactions involving a "few shares" between purchasers and sellers, each unknown to the other, each operating on discrete assumptions.

Break-up values inherently involve a hidden's assumption about a further sale either to subsequent strategic buyers, or in a subsequent public flotation.

In the US, the notion of efficient markets has been much touted by academics, and further promoted by financial buyers and investment bankers. The notion has been credulously accepted by a few boards which want to throw the towel of continuing stewardship over a given company, selling to a "financial" buyer who is operating on some derivative of the two assumptions expressed above.

The stock market, which trades a few shares a day, is horribly efficient in terms of discounting for future uncertainty and risk. But (more egregiously) it does not apply liberal or "efficient" premiums for the possibilities of entrepreneurial change within a given traded company. Only when the stock market itself becomes more efficient, on the basis of better analysis, better information and better public understanding can an economic argument dictating a sale for cash attain any credibility.

Today's arbitraging between stock market values and private market values (which typically involve a buy-out) will continue until the disclosure and analytical problems are solved by shareholders themselves - perhaps with the aid of the courts. Economists have been no help. The British institutions which tend to look askance, rightly, at the buy-out offers, are themselves betting

that this can occur, when they do not immediately sell the stock to arbitrageurs after the announcement of an offer.

The same issue of the Financial Times as your *Lex* article carries a report of the demonstrably uneven performance, since January 1 1988, of various stock markets around the world. Currency fluctuations provide a further complication. Obviously some of those markets had it wrong (as of New Year's day), or some of them are not quite what they seem, and experience will tell. (If economists could, they would become investors.)

As to the BAT offer by Hoylake: the institutions should be asking themselves (and BAT) why it is that BAT will not do what Sir James Goldsmith is likely to do - or something better. £10 today, in cash, is not axiomatically better than retention of shares, priced by the market today (August 10) at 24, which represent a proprietary equity in the future.

J. Scott Merritt, 1708 Commerce Tower, P O Box 13222, Kansas City, Missouri, USA

Divided on dividends

From Mr G. de Nemeskeri-Kiss.
Sir, Mr D. O'Shea (Letters, August 11) reopens the old controversy about dividends, this time in the BAT bid context. It is 28 years since Miller and Modigliani showed that, in an efficient market and in the absence of taxes and transactions costs, dividend distribution ratios do not affect the total return to shareholders. Mr O'Shea, observing that BAT would find high dividend distribution expensive in tax terms, argues that returns to BAT shareholders would have been lower if dividend payout ratios had been higher.

Dividend policy should not be confused with a firm's investment decisions. Investments whose risk-adjusted net present values (NPV) are not positive will depress total returns to shareholders. So from the shareholders' viewpoint, dividend payouts are preferable to the firm's investing in negative NPV projects. But that is another story.

George de Nemeskeri-Kiss, Touche Berman, Mermill House, 2 Puddle Dock, ECA

Education down the Tube

From Mr C. Devereux.
Sir, Mr Andrew Oswald says (Letters, August 14) - rightly, I am sure - that no Tube train driver would make an adequate university lecturer, while a university lecturer could drive a Tube train, all at a mean weekly wage scale of £333 per week.

But while many Tube train drivers might like to become university lecturers, if they could, at this salary, how many university lecturers would care to become train drivers for it?

C. Devereux, 8 Silver End, Olney, Buckinghamshire

A need for realism over Hong Kong

From Mr P.J. Sullivan.
Sir, In their articles on Hong Kong, Joe Rogaly (June 9) and Samuel Brittan (August 10) seem to have lost all touch with reality. I am not the only reader to think that their writing on the subject falls short of the standards we expect from your paper.

Possible economic benefits - all theory, anyway - are long term, but has Samuel Brittan any conception of what it would mean to bring in perhaps 400,000 Chinese a year over the next eight years? Assuming that these new arrivals could be "induced" to settle in the north of England, is it his intention that the present occupants of big cities are to be consulted on this influx?

Furthermore - and bearing in mind his comments about the low age levels of these immigrants - could Mr Brittan project the likely population increase, say, 26 years from now?

Thought-provoking journalism that challenges majority opinion is the breath of life, but articles which ignore all reality, and put forward proposals that are downright silly, do not reflect well on the writer, whatever the subject. P.J. Sullivan, Redlocks, Priorsfield Road, Godalming, Surrey.

From Mr David Walker.
Sir, In his Economic View-

point column, consistently entertaining as well as consistent, Samuel Brittan would not dream of using a weaselly word like "induce" (as in: induce people to act contrary to their economic interest).

But when it comes to social matters ("Hong Kong can help UK", August 10) - that is, race - he slips it in, along with the cloy phrase: "regional steer."

What does inducing Hong Kong Chinese out of the south-east region of the UK mean? Bribery, poster campaigns, or direct force administered by the kind of bureaucrat Mr Brittan's economics has no room for? David Walker, 6 Midhurst Avenue, London N10

Admiration for enterprise

From Mr Harry Kleeman.
Sir, You call the Department of Trade and Industry "a declining department" (August 2). If you mean it no longer spends money on lame duck businesses, you are right - but that is a welcome decline. As a businessman I have nothing but admiration for the

way Lord Young, the former Trade and Industry Secretary, transformed the DTI into the "Department of Enterprise." You comment unfavourably on the "expensive publicity programme" used to promote the enterprise initiative - probably some of the best value the UK has had for public money

in years. Thousands of firms have been spurred to use consultants to enhance performance; they would never have done this without the carrot of DTI money and the publicity alerting them to the opportunity. You say "there are few immediate challenges." Yet

nowhere in the article is the Single European Market mentioned. The DTI, through "expensive publicity," has alerted British business to the threats and opportunities this creates, and put our awareness top of the European agenda. Harry Kleeman, 179 West End Lane, NW6



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FINANCIAL TIMES

Wednesday August 16 1989

OVERSEAS MOVING BY MICHAEL GERSON
01-446 1300

Kremlin concern grows over fresh Azerbaijan unrest

By James Blitz in Moscow

A SERIES of Soviet newspaper articles and reports yesterday revealed growing concern in the Kremlin about recently renewed ethnic tensions in the southern territory of Nagorno-Karabakh and in the Baltic republics.

Indicating that the conflict between Armenians and Azeris in Nagorno-Karabakh had seriously deteriorated in recent days, the Soviet news agency Tass reported yesterday that "the loss of life and number of casualties among the population is steadily growing."

More than 100 people have died in rioting between the Azeris and Armenians since the ethnic unrest started 18 months ago.

Tass also reported that there had been attempts to set up alternative governments in the region and that Soviet military troops had flown in to take new measures.

Recent tensions in the Azerbaijani republic also accelerated yesterday when the unofficial Popular Front movement called for a general strike to be held in two weeks' time.

Communist Party officials yesterday held talks with leaders of the Front in Baku in an attempt to get the strike called off.

However, the Popular Front's leaders said that the strike could not now be

averted.

In the past four days they have twice managed to draw a crowd of well over 100,000 into Baku's main square, demanding more autonomy for the republic from Moscow.

The Popular Front's other principal demand is that it should be legally recognised by the authorities.

Meanwhile, the Communist Party newspaper Pravda yesterday published its strongest criticism yet of the nationalist Popular Front movements in the Baltic republics of Estonia, Latvia and Lithuania where there has been growing ethnic tension between the local nationals and the minority

Russian populations.

The Pravda commentary appeared a day after a special Supreme Soviet commission was despatched to Estonia to try and end the mass strikes there by ethnic Russians who feel that they have been discriminated against in a new election law.

In an editorial yesterday, Pravda said: "Certain forces are actively campaigning for the republics' secession from the USSR, and bourgeois socio-political structures are being restored."

The newspaper said that the Popular Fronts in the republics had drifted away from the goals of the Kremlin's pro-

gramme of perestroika. The paper called for "dialogue and action to counter negative trends."

Particularly worrying for the Kremlin is the prospect of mass demonstrations in all three republics next Wednesday on the fiftieth anniversary of the signing of the Molotov-Ribbentrop Pact.

The agreement, signed in 1939, paved the way for Stalin's annexation of the Baltic republics and Bessarabia.

The anniversary is expected to draw out some of the largest demonstrations that have been seen in the three republics, even by recent standards.

Estonian strikers, Page 2

Moldavian nationalism looks ready to ignite

James Blitz analyses the rising independence aspirations of another Soviet republic

ANOTHER scorching hot day in Kishinev. And another thundering demonstration against Soviet rule by 20,000 Moldavians, boiling beneath the afternoon sun.

"I'd say we do this about once a fortnight now," says Mr Mikhail Ghimpu, one of the leaders of the Moldavian Popular Front, the unofficial group which is pushing nationalist sentiment in the republic to its limits.

He looks out from the platform of the throng packed into the open-air amphitheatre in the middle of town. The speaker, a Moldavian writer, bellows into the microphone.

"We've been crushed by the Ottoman empire. We've been crushed by the Austro-Hungarian empire. We've been crushed by the Soviet Empire. Now we must be free."

The crowd rises. The roar should be audible in the Moldavian central committee building round the corner.

Moldavia is about the nearest to the Soviet Union gets to looking like Italy. The broad, long Lenin Strada running through the middle of Kishinev could be a Via Garibaldi. The market stalls will never run out of watermelons. The rolling hills of the countryside are brimming with vineyards. And Moldavian is the one romance language spoken in the Soviet empire.

Indeed, were it not written in Cyrillic, Moldavian would be identical to Romanian spoken next door. Stalin realised this when he annexed independent Moldavia in 1940. He decreed that Moldavian should be written in Russian script to encourage the natives to switch allegiance from the little Romanian family to the big Russian one.

Five decades later, the last thing any sane Moldavian seeks is renewed ties with President Nicolae Ceausescu's Romania. But the second last thing they want is to remain full members of the Soviet



Union. They want limited independence, economic self-government, a Moldavian currency, and Moldavian written in Roman letters again. These are the Popular Front's demands.

The Front's leaders seem an unlikely group to be heading a mass movement. Mr Ghimpu is a writer. His close colleague, Mr Yuri Roshtka, works in a restaurant. The other leader, Mr Sergiu Mocanu, is a philologist. They regularly talk into the early hours. Their expertise is in the history of Moldavia, but not, perhaps, in its practical politics.

But that is irrelevant when you have been handed a mass movement on a plate. "We're about to set up a formal, paid membership scheme and expect 100,000 to join," says Mr Ghimpu. "We have cells in most enterprises," says a colleague. "We have a mini police force of 500 vigilantes."

The Front is yet to be legalised, but its leaders are confident people and with good reason. Everyone from the woman on the landing to the taxi-driver is in agreement: the

local Communist leadership is losing its popular support.

"Five hundred people have handed in their party cards already this year," says the taxi-driver with a smile.

That may be because the party leadership has buckled under so many demonstrations in the past year, and now looks set to deliver the public's biggest demand: that Moldavian should replace Russian as the official language of the republic's government, and that it should officially revert to the Roman alphabet.

Until eight months ago, that was just a Party official's nightmare, threatening to dilute Moscow rule in the republic. But in December, Mr Samoyon Gross, the otherwise hard-line leader, gave in to the rallies and hunger-strikes and said he would deliver.

The betting now is that on August 29, the republic's Supreme Soviet will pass the relevant legislation. Others say it will fudge it and keep Russian as the official language. Either way, the Front will concentrate minds by holding a rally two days

before. "We expect half a million people to turn up," says Mr Roshtka.

It is not exaggerating. Even respectable Communist party officials are showing tacit support for the nationalists.

In the office of the propaganda chief of the official Moldavian party newspaper, Moldavia's *Sotzialiste*, are complimentary copies of *Deeptzire* (Awakening), the type-written, unofficial broadsheet of the Popular Front.

"My support for the Front doesn't conflict with my loyalty to the Party," he says. "I simply agree with some of their goals."

The worry for the Kremlin, however, is not just the loss of party support. It is the potential for ethnic tension. Moldavia has a sizeable minority of ethnic Russians and Ukrainians, who have been emigrating to the better climate for decades. Now that Moldavian nationalism is finding its head, the minorities are getting scared.

"Gross and the party have given way to the demonstrators, and that is bad for us," says Mr Yuri Blokhin, leader of the ethnic Russian movement, *Interzhizhenie*. "Fifty-seventy per cent of the population are Russian-speaking. The language law is bound to lead to discrimination over jobs, and hinder promotion for Russian speakers."

His face is creased with worry. Mr Blokhin is a staunch party member (and a Congress Deputy in Moscow) but the party is shunning him on to the sidelines because it cannot bear the prospect of more demonstrations.

So he has had to sit and watch the Front break up his meetings. And his political manifesto, far from appearing in the party papers, can be read only in factory journals. Getting into the Ribnitz and District Metalworker is not the big time in Moldavian politics. But his fears are understand-

able, especially when you start talking to the Popular Front's rank-and-file. Mr Mikhail Spion, a staunch Front man, elaborates his views on a drive through the countryside: "See those vineyards all around you? You won't see a single Russian working on any of them. They're all in the towns leaving away. All they do is occupy much-needed flats. I'll be blim. I won't be happy till the Russians are out."

The Front's leadership is milder. "We can live with the Russians, but we want to stop them emigrating to Moldavia now," says Mr Yuri Roshtka.

But he reserves his fury for other demands. Once the Front has got the people's language back, it will demonstrate to retrieve the territories transferred to the Ukrainian republic in 1940: North Bukovina, Southern Bessarabia and Ismailia.

Of course, the Ukrainians, fierce nationalists themselves, will not see it that way. Here, it seems, is another up-and-coming tug of war over territory to match the one in Nagorno-Karabakh.

People say openly that it will all end in bloodshed. "What Moldavia does not have is the political culture to settle the differences between Russians and Moldavians peacefully," says a mild-mannered historian at Kishinev university. "All that keeps the two sides apart is a party that is losing credibility quickly and is behind the times."

There are already bad omens. Leaving the platform after their successful rally, the Popular Front leaders are upset. "Three Moldavians were beaten up by a gang of Russians last night outside town," says Mr Roshtka.

He is angry, although he is not plotting revenge. But then does it really matter whether he does or not? With respect, a museum curator in his thirties is not trained to control a rally of half a million people.

Stock Exchange moves to end news monopoly

By Richard Waters in London

THE London Stock Exchange is planning to make it easier for other information suppliers to compete with it in providing news about listed companies in a move intended to calm the concerns of the Office of Fair Trading, the Government's competition watchdog.

The Exchange's monopoly in supplying news to listed companies through its 10,000 Topic screens in the UK has been the subject of an OFT review for the last two months.

The Exchange now intends to take a partial step towards open competition this autumn by allowing outsiders, such as news agencies and computer services companies, to have access to information by "plugging into" its Topic screens electronically. This would make it easier for them to process company news for dissemination through their own networks until a more competitive system is introduced some time next year.

The Exchange is in negotiation with a number of companies about how it would charge for this service.

However, the planned move would do nothing to remove Topic's competitive advantage, since the electronic information providers at the same time that the information was broadcast to Topic users.

This would make it impossible for rivals to compete with information on speed of dissemination.

The opening up of company news through Topic replaces the Exchange's original plan of creating full competition by this autumn. It had intended to allow rivals access to company information at the same time that this was made available to its own Topic service, creating a true equality between the Exchange's commercial information service and outsiders.

However, it delayed this plan earlier in the year, prompting concern from the OFT. There are now indications that this proposed system of open competition will be delayed again. The Exchange has said previously that it would be implemented early in 1990, but now refuses to commit itself.

Banned Noraid publicity chief arrested on Londonderry visit

By Our Belfast Correspondent

MR MARTIN GALVIN, a New York lawyer who is publicity director of the Irish-American fund-raising group Noraid, was arrested in Londonderry yesterday for breaching a British Government exclusion order banning him from the UK.

Mr Galvin, who said he had been in the province for three days assessing the situation on the 20th anniversary of the arrival of troops in Ulster, was arrested as he toured Londonderry with representatives of Sinn Fein, the political wing of the outlawed Irish Republican Army.

He said his arrest was illegal and there were minor scuffles as he was hauled into the back of a police Land Rover. The incident followed a night of heavy rioting in Londonderry after crowds of

youths clashed with security forces.

A Noraid delegation visits Northern Ireland every August to reaffirm support for the IRA campaign and to meet local republicans. The organisation raises funds in the US for the republican cause in Northern Ireland.

Mr Reg Empey, Belfast Lord Mayor, said the arrest was a publicity stunt designed to revive what he called Sinn Fein's flagging international propaganda campaign over anniversary of the British troops' arrival.

Mr Galvin was hanged in July 1984 by the then Home Secretary, Mr Leon Brittan, under a section of the Immigration Act.

The 38-year-old lawyer has broken the terms of the order

on several occasions, most notably in 1984, when his appearance at an anti-internment rally in West Belfast sparked off riots, which led to the death of Mr Sean Downes.

As police moved in to arrest Mr Galvin, serious rioting flared and Mr Downes was struck and killed by a plastic bullet fired by the security forces.

He has since visited Ireland regularly, ignoring the exclusion order and crossing the border on several occasions to show his support for the IRA campaign.

Meanwhile, Mr Peter Brooke, the UK Government's Northern Ireland Secretary, said he was hopeful of progress on the political front. He hinted that changes in the Anglo-Irish Agreement might be possible.

| Area | Temp | Wind | Cloud | Area | Temp | Wind | Cloud |
|--------------|------|------|-------|------|------|------|-------|
| Algeria | 25 | SE | 1-2 | Mex | 28 | SE | 1-2 |
| Amsterdam | 15 | SE | 1-2 | Mon | 28 | SE | 1-2 |
| Athens | 28 | SE | 1-2 | Man | 28 | SE | 1-2 |
| Bahia | 28 | SE | 1-2 | Med | 28 | SE | 1-2 |
| Bangkok | 28 | SE | 1-2 | Nor | 28 | SE | 1-2 |
| Bombay | 28 | SE | 1-2 | Par | 28 | SE | 1-2 |
| Buenos Aires | 28 | SE | 1-2 | Per | 28 | SE | 1-2 |
| Calcutta | 28 | SE | 1-2 | Rio | 28 | SE | 1-2 |
| Cairo | 28 | SE | 1-2 | Sao | 28 | SE | 1-2 |
| Chongqing | 28 | SE | 1-2 | Seo | 28 | SE | 1-2 |
| Columbo | 28 | SE | 1-2 | Sing | 28 | SE | 1-2 |
| Cyprus | 28 | SE | 1-2 | Sing | 28 | SE | 1-2 |
| Dakar | 28 | SE | 1-2 | Sing | 28 | SE | 1-2 |
| Dublin | 28 | SE | 1-2 | Sing | 28 | SE | 1-2 |

Jaruzelski summit call

Continued from Page 1

The delay in forming a government, with or without Solidarity, had prompted what was regarded as a highly critical attack earlier this week by Pravda, the Soviet party daily, which accused Solidarity of contributing to political chaos in Poland.

Both the Pravda attack and discussions last Friday between the Soviet ambassador in Warsaw, the minority parties and the Prime Minister, were seen as putting pressure on both General Jaruzelski and on Solidarity by demonstrating growing Soviet impatience with the political deadlock and the inability to tackle the economic crisis.

Merrill Lynch quits gilts

Continued from Page 1

The small numbers employed on the gilts side indicates that Merrill has scaled back its operations considerably since 1987, when it incurred a trading loss of \$20m. At that time it employed 10 gilt salesmen, compared with four now, said Mr Mark Cutis, head of fixed income trading.

He put the firm's latest share of the market at "under 5 per cent", while competitors estimated that it had fallen from around 3 per cent to little more than 1 per cent in recent months.

The withdrawal followed a review of the prospects of the business over the next five years, said Mr Cutis. "The UK Government's repurchase of its stock is a structural change. It's not going to issue more debt."

Merrill Lynch quits gilts

Continued from Page 1

Without a flow of new debt, there was little chance of the business going into profit, he said.

The firm's gilt trading losses have fallen, largely because of its decision to scale back.

After incurring start-up costs of \$25m in 1986, losses were \$2m in 1987 and \$3m in 1988, with the only marginal losses reported so far this year.

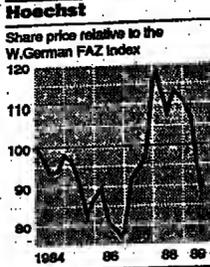
The move will free up to \$25m of capital which Merrill had committed to its gilt operation for use elsewhere in the business.

This reduces the amount of capital committed to the gilt market by some 6 per cent, helping to improve the return on capital of the market as a whole.

Gradual death in the gilt market

THE LEX COLUMN

Three years on it is hard to recall life before Big Bang, but one memory is the consensus in 1986 that many of the 27 market-makers in gilts would fail to stay the course. What strike one about Merrill Lynch's exit is that its earnings have taken so long, illustrating the slow pace of the shake-out despite poor or negative returns on capital. It may be that another firm is about to follow suit, as gilt market gossips are saying. But far from there having been a mass exodus, as Hoare Govett's more than eight months ago; and there are still 21 firms making markets in UK government securities.



rather than cancelled, which would mean a lower rating for the shares. Instead, a p/c of about 4.5 and a yield of about 6 are rather more pricey than usual. But then, by normal standards the shares are cheaper than ever, by the end of the year the value of cash and investments alone will probably equal the share price. Still, De Beers earns its discount through its ties with South Africa, and there is no reason why the market should take any more kindly to them than before.

De Beers

The world's wealthy may be buying fewer diamonds, but the message from De Beers is not to worry. The 45 per cent increase in earnings and 39 per cent rise in the dividend do not look like the promised year of consolidation, nor do they suggest a company battering down the hatches for a tough period ahead.

After having lost control of the diamond market in the early 1980s, De Beers is not going to make the same mistake again. Even if the next CSO figures show even further weakness than the mere 5 per cent growth in the first half, the company should be able to use its monopoly to prevent an actual fall. Moreover, this time it is in stronger financial shape, and interest income - which was more in the first half than in the whole of last year - will make good any difference.

Most likely, the consolidation after the last few years' growth has been postponed

Sea Containers

There is a hint of desperation about yesterday's increased offer for Sea Containers. It is getting on for three months since Stena and Tiphook made their first \$50 per share bid and although Sea Containers has done little more than emit hot air in the interim, it has had little difficulty convincing Wall Street that it is really worth \$70 a share or more. Given its lacklustre financial record, a rather cavalier approach to its shareholders and the fact that its shares were trading at \$13 less than two years ago, this is no mean feat.

By most standard measurements, the increased offer of \$63 per share still looks rather mean. Valuing Sea Containers at nine times prospective earnings, while the S&P500 is selling at 12.3 times, does not seem particularly generous. But then Sea Containers does not

Wass. Perella

Yesterday's Lex column gave an incorrect price of 245p for Newgateway's bid for Gateway, instead of 242p. There was no implication that shares had been bought above the offer price.

FOCUS ON THE U.S.

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FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday August 16 1989

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INSIDE
De Beers digs for more diamonds
Operating income at the six-month stage increased by more than half at De Beers, the South African group which controls the world diamond market. The rise is due partly to increased diamond sales and partly to returns on investments made outside the diamond industry. Prospecting and research charges jumped by around 45 per cent, due to a stepped-up exploration effort. The group is evaluating a prospect in the northern Transvaal which was considered uneconomic for several years. Page 18

Takeover fever - the sequel
Canadian stock markets are enjoying a repeat performance of the takeover fever that gripped dealers early in the year. The recent focus of interest has been the mining sector, with the bidding war for Falconbridge, a diversified base-metal miner and the West's second-largest producer of nickel, assuming centre-stage. And the tussle seems to have fostered the realisation that few Canadian mining groups are big enough to be safe from predators, and Alcan Aluminium, Inco and Pacer Dome have all traded heavily in recent days. Page 36

More than just hot air
Pitco Holdings, UK manufacturer of small electrical appliances including hairdryers, kettles and toasters, surprised the London stock market with yearly pre-tax profits up 41 per cent. The reason was better margins, which, said Mr Michael Webber, chairman, reflected rationalisation at its Carmen personal care subsidiary which was acquired at the end of 1987. Pitco is on the look-out for acquisitions in the UK and overseas, and plans to increase advertising expenditure on its three brand names - Pitco, Carmen, and Salton - to about £1m this year. Page 22

Tea the precious asset
There is a shortage of Indian tea in - of all places - India, where production of domestically popular brands has been hit by poor weather, particularly in the south. But the Government is resisting pressure to cut exports, as the country's deteriorating balance of payments requires an increase in hard currency earnings. The answer, says the Ministry of Commerce, is to increase production, and the Tea Board is providing loans for several schemes. The Darjeeling gardens in particular are being rejuvenated. Page 33

Pennie brings in more dollars
J.C. Penney and Dayton Hudson, two leading US retailers, have reported higher second-quarter profits, reflecting recent restructuring moves. Pennie's gross profit margins were also boosted by higher sales volume for clothes, a sector on which the company is placing increased emphasis as part of its efforts to improve its performance. The sector, particularly in women's clothing, has been poor for many retailers for over a year. Page 19

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Chief price changes yesterday

| | | | |
|-------------------------|--------------|----------------|----------------|
| FRANKFURT (DM) | | Sea Containers | 67 1/2 + 4 1/2 |
| Falck | 408 + 7 | Shell | 115 1/2 - 1/2 |
| Volkswagen | 405 + 7 | IBM | 103 1/2 - 1/2 |
| Deutsche | 222 - 7 | Shell | 103 1/2 - 1/2 |
| Oil. Venlo | 990 - 20 | Wm. Morris | 103 1/2 - 1/2 |
| Kenthall | 590 - 11 | Wm. Morris | 103 1/2 - 1/2 |
| West-Whit | 7 - 7 | Wm. Morris | 103 1/2 - 1/2 |
| NEW YORK (\$) | | Wm. Morris | 103 1/2 - 1/2 |
| Dayton Hudson | 67 1/2 + 1/2 | Wm. Morris | 103 1/2 - 1/2 |
| De Beers | 25 1/2 + 1/2 | Wm. Morris | 103 1/2 - 1/2 |
| Pennie (10c) | 64 + 1/2 | Wm. Morris | 103 1/2 - 1/2 |
| NEW YORK (Pence) | | Wm. Morris | 103 1/2 - 1/2 |
| BT | 323 + 16 | Wm. Morris | 103 1/2 - 1/2 |
| Body Shop | 441 + 17 | Wm. Morris | 103 1/2 - 1/2 |
| British Int. | 247 + 5 | Wm. Morris | 103 1/2 - 1/2 |
| Costa Verde | 172 + 5 | Wm. Morris | 103 1/2 - 1/2 |
| Gateway Corp. | 229 + 15 | Wm. Morris | 103 1/2 - 1/2 |
| SUS A | 1077 + 5 1/2 | Wm. Morris | 103 1/2 - 1/2 |
| Greaves Wipac | 264 + 5 | Wm. Morris | 103 1/2 - 1/2 |
| Lloyds | 251 + 5 | Wm. Morris | 103 1/2 - 1/2 |
| Lloyds Abbey | 267 + 5 | Wm. Morris | 103 1/2 - 1/2 |
| RPI | 488 + 15 | Wm. Morris | 103 1/2 - 1/2 |
| Waters | 497 + 15 | Wm. Morris | 103 1/2 - 1/2 |

Sea Containers bid increases to over \$1bn

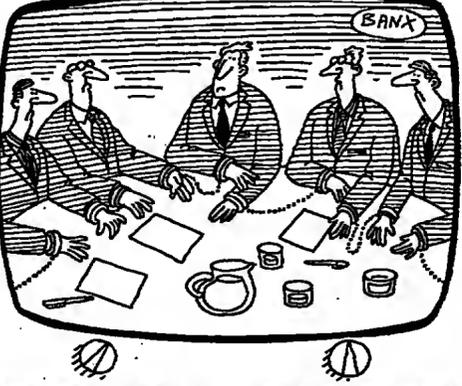
By Andrew Hill in London
TIPHOOK, the UK container rental company, and Stena, the private Swedish ferry operator, have increased their hostile bid for Sea Containers to more than \$1bn in cash and indicated that this could be their final offer.
The two predators are now tendering \$63 per common share - just 25 cents more than yesterday's opening price, but \$13 higher than the original bid. The move is intended to put pressure on Mr James Sherwood, Sea Containers' outspoken president, who hopes to fight off the Anglo-Swedish offensive with asset disposals.
Last weekend, Mr Sherwood claimed that such plans could realise a cash dividend of at least \$50 per common share as well as leaving shareholders with a stake in the continuing business. He suggested that Sea Containers might wait until October to put the recapitalisation plan into action. The increased Stena/Tiphook offer closes on August 28.
Mr Eric Goodwin, Tiphook's deputy chairman, said yesterday: "At \$63 cash we should be there: compared to the possibility of a recapitalisation has got to be good for Sherwood and his shareholders."
Stena has committed itself to a slightly larger share of the \$1.02bn offer, reflecting its interest in the Sealink ferry business, which it would receive if the break-up bid succeeded. Stena would have to bear any further increase in the offer because Tiphook, which is already highly geared, is not prepared to borrow more cash to finance the deal.
The Swedish group will shoulder \$508m of the increased offer or just under 50 per cent, compared with 48 per cent of the original bid. Stena would take on the Sealink ferry business, including seven UK ports and 28 ferry routes, plus Sea Containers' 42 per cent stake in Orient-Express Hotels.
Tiphook's contribution has risen from \$426m to \$514m, to pay for the fleet of 287,000 containers and its container manufacturing, repair and maintenance facilities.
The timing and extent of the increase surprised US arbitrageurs - thought to hold some 15 per cent of the Bermuda-registered company - who believed that Stena and Tiphook's financing was already fully stretched by the lower offer of \$524m.
Some said yesterday that they thought a recapitalisation was still the most likely outcome of the bid battle.
If Stena and Tiphook succeed with their increased offer, they will still have to persuade the Bermuda courts to outlaw Sea Containers' "poison pill" shareholder rights plan. The Bermuda Supreme Court is considering the legality of that defence and of stock purchases by Sea Containers' subsidiaries.
Temple Holdings, vehicle for the joint bid, has increased its offer for Sea Containers' convertible preferred shares from \$90.50 to \$101.43 each, but the bid for all other classes of stock remains the same.
Lex, Page 16

Chase: 'no wish to join Tokyo SE'

By Ian Rodger in Tokyo
CHASE MANHATTAN Securities Japan, one of four foreign securities companies in Japan which had its application to join the Tokyo Stock Exchange rejected nearly two years ago, would not accept membership today if it were offered.
Mr Jayme Garcia dos Santos, senior vice president of Chase Manhattan Bank in Tokyo, said in an interview yesterday: "The economics of membership do not justify our having one today. Maybe they will two or three years from now."
A TSE membership costs roughly \$1bn (\$45m), and Chase, like many foreign securities companies, is losing money in Tokyo. Mr Garcia commented reports that Chase Securities had curtailed its own-account dealing activities.
"It has not been part of our strategy to take proprietary positions, to try to outguess markets, but in the securities business we have done it. . . Recently, we decided that since we were not successful in it, although we were not having a lot of money, we would concentrate on what we do best."
The Chase view on membership of the Tokyo Stock Exchange may come as a shock to the British, US and French Governments, which have been putting pressure on the Japanese authorities in the past 18 months to open TSE membership to any firms that qualify.
The three other rejected firms were the securities affiliates of Barclays Bank of the UK, of Credit Lyonnais of France and of Hongkong and Shanghai Bank.
Mrs Margaret Thatcher, the UK Prime Minister, is expected to raise the issue when she visits Tokyo next month.

City prologue to TV's new drama

John Ridding on UK television companies' responses to looming licensing changes
The new licences for the 16 independent franchises will be awarded through a competitive tender, creating the potential for the most far-reaching changes in the commercial television sector since the BBC monopoly was broken in 1955.
Companies and their shareholders are asking how best to protect themselves from the threat that competing TV concerns will poach away their most valuable employees and seize their franchises.
LWT's response, announced at the beginning of the month, signalled its intention to increase dramatically the potential rewards to top management and increase profitability through an innovative capital restructuring.
Mr Bland's proposals have already encountered opposition from a number of institutional shareholders. This is hardly surprising. The scheme will transform the company's balance sheet. Instead of being a cash-rich company with \$50m (\$80m) in its coffers LWT will shoulder debts of about \$100m. Management's stake in the company will be raised from about 3 per cent to as much as 15 per cent and institutional holdings similarly reduced.
No less important, some shareholders, particularly insurance companies, will face a heavy capital gains tax liability on the payment "in excess of 150p per share" which they are being offered under the restructuring.
For Mr Bland, the "twin pillars" of his scheme - the tying in of management and the capital restructuring - are necessary to retain LWT's lucrative franchise.
He regards the alternative of broadcasting from satellite as "becoming less attractive" because of disappointing dish sales and he rejects strategies of diversification pursued by other companies such as HTV.
In making his case, the first part of Mr Bland's argument is that the "people nature" of the television business means that it will be vital to hold on to the important technical and creative staff in the franchise application process.
So he wants to apply "golden handcuffs" by allowing 40 to 50 of the top management to acquire an initial stake of about 5 per cent in the company, compared with the current level of about 3 per cent, for about £3 to £5m. This stake would increase to about 15 per cent on the satisfaction of performance criteria related to profitability and the winning of the franchise.
There is widespread agreement within the industry that personnel poaching poses a serious threat. Staff mobility already exists. But as the consortia planning to bid in the next round of licence applications start to form,



Hoechst figures prompt shares fall

By Andrew Fisher in Frankfurt
HOECHST, the West German chemicals group, yesterday turned in a set of first-half results which disappointed analysts and led to a fall in its share price, although pre-tax profits of DM2.1bn (\$1.1bn) were 8.3 per cent higher than in the same period of last year.
Some analysts said the figures, showing lower pre-tax profit margins of 9.2 per cent against 9.7 per cent, foreshadowed an early slowdown in the European chemical industry after prolonged growth.
In the second quarter, profits slipped by 2 per cent over the same period of 1988 to DM1.1bn, contrasting strongly with the 23 per cent gain in the first.
"These are the first figures from a major European chemical concern to show a quarterly downturn for quite some time," said Mrs Penny Tattersall, chemicals analyst with UK stockbroker Barclays de Zoete Wedd. "It suggests the downturn will hit others sooner rather than later."
The shares shed DM4.30 to DM298.80 after losing DM6.50 on Monday.
In sales terms, Hoechst continued to show considerable growth. Turnover was up by 15 per cent to DM22.3bn in the first half, with a rise in foreign business, especially in North America, and the group said expansion was expected to continue in the third quarter. Growth in turnover reflected volume increases, price rises and currency movements.
Hoechst was unable to pass on the full extent of higher raw material prices. In plastics, where sales stagnated at a high level, competition was especially tough in polypropylene. In North America, group business was 28 per cent higher at DM5.2bn, of which its Hoechst Celanese division contributed DM2bn, a rise of 10 per cent.
Of the Hoechst Celanese growth, a third represented volume rises, with chemical and fibre activities performing well.
Hoechst's domestic turnover, up 6 per cent to DM5.2bn, was far outpaced by expansion in foreign markets, accounting for DM17.8bn of sales, an increase of 18 per cent. The company said the higher dollar helped the rise in its non-German business.
Foreign markets made the running on pharmaceuticals. But German turnover was slightly down as competition from generic drugs increased, though Hoechst said it had promising products awaiting approval.
Lex, Page 16



Plessey seeks a foreign investor to bolster bid defence

By Hugo Dixon in London
PLESSEY, the beleaguered UK electronics group, is trying to persuade one of several foreign defence electronics companies to take a minority stake in it to help it escape the clutches of the UK's General Electric Company and Siemens of West Germany.
The idea of bringing in a foreign company as a strategic partner is one possibility Plessey is pursuing in a last-ditch attempt to avoid being taken over by the Anglo-German consortium. This month GEC and Siemens made a final offer for Plessey at 270p a share, valuing their smaller rival at £2bn (\$3.2bn).
Mr Stephen Walls, Plessey's managing director, said yesterday that he was working on a number of alternative options to being taken over. "The quest that we have is to find more than 270p," he said.
One of these possibilities, he said, was the strategic partner option. Another would be to find a "white knight" to buy Plessey, though he said this was probably not at the top of the list of priorities.
Plessey has spoken to Thomson of France and several North American companies about taking a minority stake, according to a company official.
The idea is that the foreign company would take a stake of up to 30 per cent and that the two companies would collaborate on future defence electronics systems. Also the foreign company might inject some of its defence businesses into the UK electronics group.
For the idea to work, the foreign company would have to pay more than 300p a share, the official said. This would be sufficiently higher than the 270p being offered by the GEC/Siemens partnership to convince Plessey's institutional shareholders not to sell their shares to the predators.
However, the official admitted that it was proving difficult to find a foreign company willing to take a minority stake. This is because of the price it would have to pay and because of uncertainty over how industrial collaboration would work if the foreign company was only a minority partner.
Therefore, the main plank of Plessey's defence would be to persuade shareholders that the company was a good investment vehicle even at 270p a share, he said.
The attraction of finding a strategic partner is that it would avoid triggering a clause in the agreement Plessey made with GEC when they set up GPT, their telecom joint venture, last year. This clause gives GEC the right to buy out Plessey's half-share in the business at a knock-down price if the smaller company is taken over by a third party.
This clause has determined many of the manoeuvres in the nine-month takeover battle and has prevented Plessey finding a white knight.

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CONSOLIDATED FINANCIAL HIGHLIGHTS

| Dollars in millions | 6/30/89 | 6/30/88 | % change |
|--------------------------------------|------------|------------|----------|
| FIRST HALF RESULTS | | | |
| Income before taxes | \$ 321.6 | \$ 236.6 | 35.9 % |
| Net Income | 232.2 | 175.1 | 32.6 |
| BALANCE SHEET DATA | | | |
| Equity | \$ 1,909.6 | \$ 1,710.3 | 11.6 % |
| Debt | 22,792.3 | 16,410.7 | 38.9 % |
| Loans and discounts | 16,350.1 | 11,655.7 | 40.3 |
| Average total assets | 30,199.3 | 24,145.6 | 25.1 |
| RATIOS | | | |
| Return on assets | 1.54 % | 1.45 % | |
| Return on equity | 22.85 | 23.94 | |
| Operating costs/average total assets | 2.38 | 2.45 | |

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INTERNATIONAL COMPANIES AND FINANCE

Sharp fall at Bougainville Copper

By Chris Sherwell in Sydney

BOUGAINVILLE Copper, the troubled Papua New Guinea copper and gold mine which has been closed since mid-May, has reported a sharp decline in half-year profits and expects little contribution from the second half.

Figures released yesterday showed a profit of \$7.7m kina (\$2.9m) for the six months to June, down from 51.8m kina in the same period last year, while revenues were also down, to 223.2m kina from 243.5m kina. To conserve cash there is no interim dividend.

The company is 63 per cent owned by CRA, the Australian resources group, which is itself an affiliate of Rio Tinto Zinc of the UK - said the results had been severely affected by

attacks on the company's personnel and property.

Disaffected local landowners on Bougainville island launched a sabotage campaign late last year to press for 10m kina in compensation for the establishment and operation of the mine over the past 17 years.

In a statement Bougainville pointed to a 9.6m kina extraordinary item in the accounts to cover the "costs of and provisions for repairs, redundancies in June and July, and other abnormal costs occasioned by the crisis."

After this item, and as a result of adjustments for exchange rate changes, the half-year profit in Australian dollar terms was even more

sharply lower - A\$42.7m (US\$32.5m) against A\$75.2m in 1988.

On sales of concentrate, the company said that since May notices of force majeure covering specific shipments had been issued to all customers with whom it had contractual commitments. It said no shipments had been cancelled.

Although it had cash reserves of 57m kina, the company said the main impact of the mine's stoppage would be felt in the second half.

The reduced number of employees - down to 2,600 - was sufficient to resume production, but because there could be no guarantee that further attacks would not occur, any decision to recommence

would be taken with "extreme caution."

Once production restarted it would take some months before operations returned to normal levels so the second half is not expected to make a significant contribution to profits," the company said.

Of its insurance claims for property damage and business interruption, the company confirmed that these had not been settled and said no allowance had been made in the accounts.

Separately, the accounts show a sharp 19.6m kina increase in provision for future tax, reflecting the cumulative effect of an error made since 1980 in the company's tax-effect accounting.

Wilhelm Wilhelmsen cruises back to black

By Karen Fossil in Oslo

WILHELM WILHELMSSEN, the Norwegian shipping group which has one of the world's largest deep-sea roll-on, roll-off fleets, returned to the black in the first half to June with net profits of Nkr455m (\$48.9m) against a Nkr45m deficit in last year's corresponding period.

Turnover increased 31 per cent to Nkr1.95bn, helped by the group's liner operations.

The operations will be strengthened by the acquisition this month of a new ro-ro carrier.

In spring the group implemented a radical restructuring into six independent companies with Wilrig, the group's offshore operations and its weakest member, receiving attention. To strengthen Wilrig a \$100m share issue was launched in June.

Although no figures were given, Wilahip, the group's non-liner shipping service, recorded satisfactory results while Berwit Agencies, the service vessel operation, had a strong showing.

Barber International, which operates a fleet of 160 ships, continues to make positive progress.

Co-operation with Platou, one of Norway's largest ship-

brokers, and Portuguese interests will see the formation of a management company which is to take over the Setevase shipyard, outside Lisbon. Negotiations are under way for the placement of tanker orders with the yard.

Wilhelmsen forecast its operating result for the second half would remain on the same level as that of the first six months, or slightly higher.

First Pacific interim leaps 43% to \$6.5m

By Michael Marray in Hong Kong

FIRST PACIFIC, the Hong Kong-listed investment and management conglomerate controlled by the Luen family of Indonesia, showed a 43 per cent jump to US\$6.5m in attributable profits for the first half of 1989.

Consolidated turnover rose 23 per cent to \$614.7m, led by the group's marketing and distribution activities and its Hong Kong banking operations - which, since January, have included Far East Bank. Operating profit rose to \$13.8m from \$11.4m.

A company statement said that Steniel of the Philippines, a maker of corrugated carton boxes which was acquired in September 1988, made a significant first-time contribution. First Pacific Telecom continued to strengthen its distribution position in Hong Kong by

investing in two "total solution" computer companies as well as beginning a regional expansion into Malaysia and the Philippines.

First Pacific Land, now 60.5 per cent held after being hived off from the parent earlier this year, increased its equity from \$13m to \$62.3m during the first half. The company is presently invested mainly in Thailand and the Philippines, with limited exposure to Hong Kong.

First Pacific Davies recorded satisfactory trading results in Hong Kong and the region, and brokered the sale of the Bond Centre office building by Bond Corporation International.

Under a reorganisation carried out during 1988, First Pacific joined the list of Hong Kong companies shifting their domicile overseas and is now incorporated in Bermuda.

Strong domestic growth helps lift Showa Denko

By Robert Thomson in Tokyo

SHOWA DENKO, the Japanese chemical company, yesterday reported a 26.7 per cent increase in pre-tax profit to ¥17.27bn (\$121.9m) in the first half to end June, as strong growth in the domestic economy and a tight international supply of products increased sales significantly in the period.

Sales rose 15.3 per cent to ¥261.3bn, with the chemical division reporting an 18.1 per cent increase on strong demand for ethylene. Sales in the inorganic materials division rose 14.2 per cent and sales of biochemical and car-

bon products rose 12.1 per cent.

Along with strong domestic industrial growth, past cuts in production capacity and a reluctance to invest in new plant for fear of glutting markets for chemical products - particularly in petrochemicals, which comprise about 45 per cent of Showa Denko's output - have produced sharp increases in profits for most Japanese chemical companies.

Showa Denko estimates that the full-year pre-tax profit will be about ¥34bn, up from ¥30.3bn last year, on sales of ¥820bn, a significant increase from last year's ¥747.2bn.

BHP role in steel deal opposed

THE AUSTRALIAN Trade Practice Commission, the country's antitrust regulator, says yesterday it opposed the sale of New Zealand Steel to the Helenus consortium led by Broken Hill Proprietary (BHP) of Australia, AP-DJ reports from Wellington.

Mr Bob Baxx, commission chairman, said it had "made a submission to the New Zealand Commerce Commission, which is currently considering the acquisition," arguing that the sale "would substantially strengthen BHP's dominance of the Australian market for some steel products."

NZ Steel was a small supplier to the Australian market but had "expansion capability" giving it potential to supply a significant proportion of the market for coated, hot- and cold-rolled steel products.

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In accordance with the provisions of the Notes notice is hereby given that the rate of interest for the period 16th August, 1989 to 16th February, 1990 has been fixed at 8.575 per cent per annum. On the 16th February, 1990 interest of US\$ 458.61 per US\$ 10,000 nominal amount of the Notes, and interest of US\$ 11420.14 per US\$ 250,000 nominal amount of the Notes will be payable against Coupon no. 13.

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August 16, 1989, London
By: Citibank, N.A., (CSI Dept.), Agent Bank **CITIBANK**



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In accordance with the provisions of the Notes notice is hereby given that for the six months period from August 14, 1989 to February 14, 1990 the Notes will carry an interest rate of 8 1/4% per annum with a coupon amount of U.S.\$ 437.64 on U.S.\$ 10,000, and U.S.\$ 10,940.97 on U.S.\$ 250,000.

Frankfurt/Main, August 1989
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(Incorporated as a joint stock company in Hungary)

Floating Rate Notes 1990
Extendable at the Noteholder's option to August 1992 and thereafter to August 1994

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London/Luxembourg, August 16, 1989

By: Arab Banking Corporation - Daus & Co. GmbH, Agent Bank



The Export-Import Bank of Korea
(Established in Korea under The Export-Import Bank of Korea Act)

U.S. \$100,000,000 Floating Rate Notes due August 1990

For the six months 14th August, 1989 to 14th February, 1990 the Notes will carry an interest rate of 8.75% per annum and a coupon amount of U.S. \$4,472.22 per U.S.\$100,000 Note, payable 14th February, 1990.

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Citibank, N.A. (CSI Dept.), Agent Bank

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Issued 10th February 1989

| | |
|---|--|
| Interest Rate | 9% per annum |
| Interest Period | 16th August 1989 16th November 1989 |
| Interest Amount per U.S. \$50,000 Note due 16th November 1989 | U.S. \$1,150.00 |

Credit Suisse First Boston Limited
Agent Bank

U.S. \$150,000,000

First Bank System, Inc.

Floating Rate Subordinated Capital Notes Due 1996

| | |
|---|--|
| Interest Rate | 9% per annum |
| Interest Period | 16th August 1989 16th November 1989 |
| Interest Amount per U.S. \$50,000 Note due 16th November 1989 | U.S. \$1,150.00 |

Credit Suisse First Boston Limited
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INTERNATIONAL COMPANIES AND FINANCE

UAL considers leveraged buy-out to counter Davis

By Anatole Kaletsky in New York

UAL, the holding company for United Airlines, is working on a leveraged buy-out alternative to the \$5.4bn bid from Los Angeles investor Mr Marvin Davis, Wall Street analysts said.

An important role in the talks is being played by the airline's unions, particularly the pilots' union, whose support could ultimately be essential for any successful bidder for the group.

UAL's shares fell by 34% to \$24 in active trading yesterday morning as arbitrageurs considered that the unions might resist an auction process and obstruct the financing of a higher bid.

Other airline stocks were also depressed by fears that a new round of fare cutting could break out in the autumn after American Airlines and Delta Airlines announced price concessions on certain

restricted tickets directed towards leisure travellers.

The moves by American and Delta followed discounts announced over the weekend by Continental, TWA and Northwest.

However, most analysts believed the airlines would succeed in hedging the new discount fares with enough restrictions to insulate their highly profitable business travel interests from a fares war.

The possibility of fare cuts in the autumn was not seen as a significant threat to the industry's revaluation by the stock market following the bid for UAL.

A more aggressive stance by UAL's unions could be a more serious problem. UAL's pilots have been involved in contract disputes with the company's management for almost two years. Many analysts believe

financing for a bid or buy-out will be difficult to arrange unless the pilots sign a new contract, since a strike could wreck havoc with the highly-leveraged financial structures being proposed for the company.

However, the pilots have consistently said they would want a major say in the airline's management and a large equity stake in exchange for agreement to wage cuts and work-rule concessions.

Last week the pilots' union hired Lazar Freres and Salomon Brothers to advise it on the possibility of leading an LBO, financed in part from the union's pension fund.

The International Association of Machinists, whose contract with UAL expires in less than a year, has indicated it might back a management-led buy-out in preference to one led by the pilots.

US retailers move ahead in second quarter

By Roderick Oram in New York

J.C. PENNEY and Dayton Hudson, two leading US retailers, have reported higher second-quarter profits reflecting recent restructuring moves.

Penney's gross profit margins were also boosted by higher sales volume for clothes, a sector on which the company is placing increased emphasis as part of its efforts to improve its performance.

The sector, particularly in women's clothing, has been soft for many retailers for over a year.

Penney's net profits rose 21 per cent to \$68m or 74 cents a share in the second quarter from \$56m or 61 cents a year earlier. Revenues rose 5 per cent to \$3.51bn from \$3.34bn.

First-half net profits rose 21 per cent to \$126m or \$1.71 a share, from \$112m or \$1.57. Revenues grew by 4.5 per cent to \$6.92bn from \$6.62bn.

The first-half earnings included a \$20m after-tax charge for winding up Telex, an interactive service for shopping via cable television.

The results were in line with analysts' estimates for a rise this year of 25 per cent in Penney's net profits.

It is benefiting from restructuring moves in the past couple of years, including the closing of some poorly performing stores, discontinuing hard goods sales, operating cost savings from moving its headquarters from New York City to Dallas and upgrading management information systems.

Dayton Hudson turned in second-quarter net profits of \$58m or 72 cents a share, double the previous year's corresponding \$28m or 34 cents. Revenues rose 15 per cent to \$3.1bn from \$2.69bn, or by 6 per cent adjusting for new stores opened in the period.

First-half net profits rose 63 per cent to \$96m or \$1.22 a share, from \$59m or 70 cents on revenues of \$5.92bn against \$5.24bn.

Mr Kenneth Macke, chairman, attributed the strong performance to increased operating profits at the three leading divisions of the Minneapolis-based company.

Golden prospects for Corona

Robert Gibbens on the victor in the fight for Canada's top gold mine

Canadian business ethics will not be quite the same again, now that the battle over the ownership of Canada's largest single gold mine has finally been settled, after eight years of tangled litigation.

The Supreme Court of Canada last Friday upheld three lower court decisions by awarding ownership of the gold mine, worth about C\$4bn (US\$3.4bn), to Corona Corporation, which in 1980 was an asset-less creation of Mr Murray Pezim, a Vancouver mining promoter.

The loser was Lac Minerals, a well-known Canadian mining group, which was awarded C\$210m to cover its costs for developing the mine. The money will be paid by Corona and its partner Teck Corporation of Vancouver which owns 50 per cent of the mine.

Lac, with five operating units in Eastern Canada and exploration in North America and Chile, now has C\$500m cash, but no controlling shareholder. It will, however, still be Canada's fifth largest gold producer with annual output of well over 300,000 oz and reserves of nearly 5m oz.

"It is definitely a bot takeover bought with the management team and all that cash," said a Toronto mining analyst.

The Page-Williams mine will produce nearly 500,000 oz this year and, at well below US\$200 per ounce, its direct production

costs are among the lowest in North America. The mine's reserves are worth between C\$3bn and C\$4bn and present gold prices, but little exploration work has been done since 1985 because of the ownership dispute.

Mining analyst Mr John Ing expects Corona to expand the Page-Williams reserves and then begin an aggressive expansion phase in Canada and abroad.

Page-Williams is in the Hemlo district of Northern Ontario, near the Canadian Pacific transcontinental line and the Transcanada Highway as they loop around the lonely North Shore of Lake Superior between Sault Ste Marie and Thunder Bay. It is rugged and mosquito-infested and for a long time was thought to be a valueless moose country.

Hemlo hit the headlines in the late 1970s as prospectors Don McKinnon and Eddie O'Neill began a staking rush not seen since discovery of the famous Kidd Creek zinc-silver deposit near Timmins more than a decade earlier.

Some claims on the Page-Williams property were indirectly sold to Corona. The company began developing an adjacent property and then started negotiating a joint venture with Lac for development of the more exciting Page-Williams property.

In the process, valuable confidential information was given by Corona to Lac about Page-

Williams - often in bizarre circumstances because of the need for secrecy.

In 1981 a prospector's widow sold the Page-Williams property to Lac for C\$250,000 plus royalties up to \$60m. Corona's competing bid was rejected.

Corona immediately sued Lac for C\$3bn, claiming that Lac bought the property using Corona's confidential information. The court saga was under way.

In 1986 the Ontario Supreme Court awarded ownership of Page-Williams to Corona. It ruled that Lac had failed to meet a fiduciary obligation by going out to buy the Page-Williams property while it was still negotiating a joint venture with Corona.

During the long litigation, greed and hunger for gold in Klondike proportions were exposed. At one point Corona showed how Lac hired a New York private investigation firm for C\$6m to bolster its case. Finally, Lac appealed to the Supreme Court in Ottawa and lost its case.

A majority of judges agreed Lac had a fiduciary or moral obligation to Corona because of the exchange of confidential information and should have pursued the joint venture.

One judge agreed with Lac that no fiduciary obligation existed and Corona should have received cash compensation.

Lawyers say the decision

breaks new ground in finding remedies for business breaches of fiduciary obligation.

Corona is now controlled by Mr Ned Goodman Toronto, a geologist and investment manager, and its management group headed by Mr Peter Steen. It took on Teck, the international base metals group, as partner to develop Page-Williams and another Hemlo mine.

Including its Page Williams share, Corona will have total gold production of about 650,000 oz this year and will become Canada's third largest gold producer.

Corona has just reported first-half profits of C\$10.9m or 6 cents a share on revenues of \$38m, excluding its half share of Page-Williams, down slightly on a year earlier.

It has other gold mining interests, all relatively high cost, and recently bought into a gold mining company controlled by Australian entrepreneur Alan Bond.

Corona's partner Teck entered the big league of international metal producers in 1986 by forming a consortium with Metallgesellschaft of West Germany and M.I.M. Holdings of Australia to buy control of Cominco, which is among the world's largest producers of lead and zinc, from Canadian Pacific.

It will now have gold output of about 385,000 oz a year, but is expected to remain a diversified metals group.

Earnings collapse at Atari

By Roderick Oram

ATARI, the California home computer maker, has reported a plunge in second-quarter profits because of intense competition in the video game market and adverse foreign exchange rates.

Net profits collapsed to \$27,000 or 1 cent a share from \$7.9m or 14 cents. A \$2.3m loss from a discontinued operation made the year earlier's final net \$6.6m or 10 cents.

Revenues fell 19 per cent in

the latest quarter to \$82.7m from \$102.5m. "Video game sales, primarily in the US market, remained depressed as a result of the alleged unfair monopolistic practices of an international competitor, which are now the subject of litigation," said Mr Sam Tramiel, president.

Without naming his arch rival, he was clearly referring to Nintendo, the Japanese company that dominates the US

market with a near 80 per cent share.

Atari's first-half net profits fell to \$3.6m or 6 cents a share, from \$22.9m or 40 cents a year earlier when final net including the discontinued operation was \$11.2m or 19 cents. Sales fell to \$171.5m from \$200.8m.

Mr Tramiel said Atari was benefiting this quarter from the introduction of its Portfolio hand-held MS-DOS compatible personal computer.

Ashton-Tate warns of loss

By Roderick Oram

ASHTON-TATE, a leading US supplier of applications software for personal computers, said yesterday it would report a large operating loss for the current quarter because of the cost of cutting its workforce by 15 per cent and because of lower shipments.

The Torrance, California, company expects shipments of the current version of its dBase IV spreadsheet software to fall while customers wait for new versions.

It gave no launch dates but said it did not expect to begin shipping either the L1 or L1 Server versions of the software in the current third quarter.

It will also continue efforts to reduce dealers' inventories of its products, a factor that contributed to a \$19.8m loss on revenues of \$89.5m in the second quarter.

The loss for the current quarter could be larger, it warned yesterday, because of severance pay and other costs

from cutting its workforce by some 1,700 people worldwide.

The cost cutting will improve the focus and execution of development projects with the biggest potential to increase revenues in the short term, said Mr Edward Esber, chairman.

The company is being hurt by the four-year gap between release of dBase III, a popular spreadsheet programme, and the introduction last October of dBase IV.

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The coupon so calculated produces an annual interest rate of 10.85%.

At the applicable date of 15th August, resulting in a minimum coupon lower than 10.85%, the first formula is applicable.

Therefore, the semi-annual coupon payable on 15th February 1992 will be ECU 52.5 per 100 of ECU 100.

BRITANNIA BUILDING SOCIETY
\$125,000,000
Floating Rate Notes 1995

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three months ending 15th August, 1989 to (but excluding) 15th November, 1989, the Notes will carry a rate of interest of 13.9125 per cent. per annum.

The relevant Interest Payment Date will be 15th November, 1989. The Coupon Amount per \$100,000 will be \$356.67 and per \$1,000,000 will be \$3,566.71 payable against surrender of Coupon No: 3

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July, 1989

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PERSONAL COMPUTERS & SOFTWARE

The Financial Times proposes to publish a Survey on the above on
Wednesday, 27th September 1989

For a full editorial synopsis and advertisement details, please contact:

Meyrick Simmonds
on 01-873 4540
or write to him at:
Number One, Southwark Bridge
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FINANCIAL ADVISER

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INTERNATIONAL CAPITAL MARKETS

US Treasuries pull out of tailspin

By Karen Zagor in New York and Katharine Campbell in London

US TREASURY bonds recovered from their recent tailspin to post moderate gains in mid-day trading yesterday.

GOVERNMENT BONDS

strength of the dollar, which at mid-day was trading at 114.28 and 114.27, up from 114.17 and 114.16 late on Monday in New York.

BENCHMARK GOVERNMENT BONDS

Table with columns: Coupon, Bid Date, Price, Change, Yield, Week Ago, Month Ago. Rows include UK Gilts, US Treasury, Japan, Germany, France, Canada, Netherlands, Australia.

On the Sydney Futures Exchange, where 7,000 lots traded in the 10-year future rates should fall further.

THE "budget without gimmicks"

While the method, to be tested in the final quarter of this year, is itself new, the extent of net redemptions - A\$3.25bn - remains comparable with last fiscal year.

The Treasury 2008-07 stock was quoted 1/4 point down at 115 1/2 in late trading.

Integrated to sell off units

By James Buchan in New York

INTEGRATED Resources, the deeply troubled financial services company, has abandoned a plan to raise \$300m from the junk bond market to shore up its business and will instead go into partial liquidation.

Cockerill to raise BFr7bn

By Tim Dickson in Brussels

COCKERILL-SAMBRE, the state-owned Belgian steel maker, announced yesterday that it planned a BFr7bn capital increase through a public issue of shares with warrants.

Liquidity of its shares

Cockerill-Sambre, which is quoted on the Brussels Stock Exchange, is currently 98.2 per cent owned by Belgium's Walloon Region.

PRICE WATERHOUSE and the FINANCIAL TIMES CONFERENCE ORGANISATION present:

CAPITAL MARKETS WORKSHOP

16-18 OCTOBER, 15-17 NOVEMBER & 4-6 DECEMBER 1989

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and the implications for operations, risk management and reporting. Speakers will be drawn from Price Waterhouse's Capital Markets Group and a panel of key individuals from organisations involved in capital markets activities including:

- Jonathan Britton, Finance Director, Swiss Bank Corporation International Limited; Anthony Wilson, Executive Director, Daiwa Europe Limited; Graham Srinister, General Manager, Treasury, Nomura Bank International plc; Ariel Salama, Vice President, Global Risk Management, Bankers Trust International Ltd; Jeffrey Evans, Manager, Swaps, Westpac Banking Corporation; Richard Kilsby, Managing Director, Capital Markets, Charterhouse Bank Limited; Bob Fuller, Director, Capital Markets, Charterhouse Bank Limited; Richard Hines, Assistant Treasurer & Group Project Manager, Prudential Corporation plc.



Registration form with fields for Name, Position, Company, Address, Country, Telephone, Fax, and Type of Business.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table of FT-Actuaries Share Indices for Tuesday August 15 1989, listing various equity groups and their performance metrics.

RISES AND FALLS YESTERDAY

Summary table of market movements: British Funds, Corporate Bonds, Financial Properties, etc.

LONDON RECENT ISSUES

Table of recent equity issues, including company names, issue sizes, and dates.

RIGHTS OFFERS

Table of rights offers, listing company names and offer details.

LONDON TRADED OPTIONS

Table of London traded options, including call and put options for various stocks.

After Monday's fall in equity prices, yesterday saw the market continue and indent, with trading largely directionless and volumes low.

FIXED INTEREST

Table of fixed interest rates and yields, including average gross redemption yields and price indices.

TRADITIONAL OPTIONS

Table of traditional options, listing call and put options for various companies.

UK COMPANY NEWS

High interest rates coupled with hot weather deters shoppers MFI finalising refinancing plan

By Maggie Urry

MFI, the furniture retailer, was yesterday finalising a refinancing plan with its bankers and principal shareholders. Details are expected to be announced today. The refinancing is likely to involve raising new equity and a rescheduling of debt repayments.

arranging a refunding, likely to be announced later this week. Its shares were suspended on Monday at 22 1/4. The problems of highly-indebted retail groups meant that Magnet, a do-it-yourself retailer which took itself private earlier this year, had to drop plans to syndicate its debt and Ward White, the DIY and carpets retailer, was unable to find backers for a management buy-out to rival a £200m bid from Boots, the chemist group.



Derek Hunt, chairman of MFI

MFI has been trading at below the sales budgets in the management buy-out plan. Operating profits for the year to end April were £91.5m, against the £100m target. Current year profits are likely to fall sharply from that level. MFI has £500m of debt, and despite interest rate caps, the interest payments were expected to rise from last year's £50.5m.

Losses warning slashes Sharp & Law shares

By Philip Coggan

SHARP & LAW, the Bradford-based storefitting group, yesterday put three of its subsidiaries up for sale in a bid to reduce borrowings and warned that it would incur "substantial losses" in the half year to June 30.

systems. Ghilni Lavault, a French shopfitter and internal Partition Systems, a supplier and installer of office partitions. All three companies have been acquired since the company joined the USM in May 1987.

man and managing director, said that borrowings had been £17m and the gearing level over 300 per cent at the company's last year end in December. This was "unacceptably high". The company warned in July that it had been affected by high interest rates and by problems at its Bradford subsidiary. Trading conditions, the company said, have continued to be difficult, particularly in the retail sector.

years, Sharp & Law has been forced to restate its profits, to reflect problems at its storefitting division. A number of contracts had been carried out on an unprofitable basis after "material accounting errors", Arthur Young, the accountants, produced a report recommending the strengthening of the senior financial management. The Bradford businesses are being reorganised with a view to returning the company to profitability.

Tilbury again rejects 'forlorn' Lilley offer

By Philip Coggan

LILLEY yesterday extended its £120m offer for fellow construction group Tilbury until August 30, having received acceptances of 14.2 per cent at the first closing date.

ers of less than 0.2 per cent of the equity had accepted since John Govett backed the offer. "This minimal level of acceptances shows there is no platform of support from independent shareholders" he added. Tilbury said it continues to reject the "forlorn" offer.

Powerscreen shares fall after chairman resigns

By Vanessa Houlder

MR PATRICK DUGAN yesterday resigned as chairman and chief executive of Powerscreen International, the Northern Ireland-based manufacturer of crushing and screening equipment. The share price fell by 4p to 132p.

appointing a chairman, who was a well-known City figure. There had been no major boardroom disagreements, Mr McKewon said, although there had been some lack of consensus about its acquisition of Beltek Pottery last April, which is seen as being peripheral to Powerscreen's main interests.

Acatos directors deny insider dealing

By Clara Pearson

THREE DIRECTORS of Acatos & Hutchison, whose share dealings are under investigation by the Department of Trade and Industry, yesterday said they were "completely confident" the inspectors would clear them of "any infringement of the Company Securities (Insider Dealing) Act, or any other wrongdoing."

But Mr Bob Seabrook, the fourth director whose sale of shares in the edible oils and fats manufacturing company are being investigated, made no statement yesterday. The announcement by the three, Mr Ian Hutchison, chairman, Mr Jim Weir, finance director, and Mr Gerry Johnson, followed weekend press reports.

These concerned a DTI probe into share sales made by the directors in March 1988, ahead of the publication in May of interim results which disappointed the City.

These press reports also highlighted Mr Seabrook's resignation last week as chief executive of Throgmorton Trust, the investment trust.

The three said yesterday they were receiving legal advice with a view to taking action against the Sunday Times.

Referring to a story it ran on August 18, they said "the suggestion that the directors misled shareholders about the company's current trading or future prospects at the AGM on February 18 1988 was totally untrue. Further, the allegation that each of them had been guilty of insider trading by selling shares in March 1988 knowing that the company's trading performance was deteriorating was wholly without foundation."

Mr Hutchison added that he personally sold no shares at the time. The sales of 900,000 shares were made by two trusts. He was a beneficiary of one, and members of his family were beneficiaries of the other. He said he "was not, and is never, consulted by the Trustees or on their behalf about the performance of the company."

River Plate to circulate rival plans to TR Australia holders

By Nikki Taft

A PROXY battle is set to break out over TR Australia, the \$45m investment trust managed by Touche Remnant which is currently seeking to change its investment policy to that of a higher-yielding Far Eastern fund.

River Plate & General, holder of 29.9 per cent of TR Australia's voting rights, said last night that it planned to circulate shareholders with rival plans - probably next week. This would involve giving shareholders the option of a cash exit route from the trust at close to underlying asset value, or of retaining invested in a successor trust with an investment policy similar to that suggested by TR Australia.

River Plate disclosed its plans in the wake of news that

the Prudential, Britain's largest institutional investor, had sold a 12.66 per cent voting interest in the trust. County NatWest Wood Mackenzie, which is advising TR Australia, said it had placed the shares in hands which are supportive of its proposals.

This is the second major stake which Wood Mackenzie has placed out in "friendly" hands. A 6.17 per cent holding belonging to International Financial Markets Trading, a City-based investment trading organisation, was sold via the brokers earlier this month.

Yesterday, however, Mr John Duffield, of Jupiter Tarbutt, which manages River Plate, said River Plate was querying with the Takeover Panel the destination of the latest shares. River Plate wanted to

be certain that they had gone into entirely independent hands.

The TR Australia scheme envisages a change in investment policy, coupled with the introduction of a series of possible wind-up dates for the trust, and a scrip issue of warrants to existing shareholders, plus a capitalisation issue.

Touche Remnant has also pointed out that an alternative plan could face additional costs if the trust was effectively liquidated and management termination fees were charged. The annual fee is 0.84 per cent on a two year contract.

Disclosure change at Barclays

By David Birchard

BARCLAYS, the largest of the big UK clearing banks, is writing to 140 public companies to notify them formally of the total stake it holds in them - including managed investment portfolios for pension funds, unit trusts and private customers.

Until now, banks have not normally included holdings of this kind when disclosing their stakes in quoted companies.

A spokesman for Barclays said yesterday that the bank had taken legal advice on its disclosure procedures in the wake of the Blue Arrow affair, and decided that Section 198 of the Companies Act was unclear.

"This doesn't signal any change in the investment management policies of the Barclays group, but rather a wish to comply with the spirit of

disclosure requirements," the spokesman said.

National Westminster altered its disclosure procedures a year ago after the Blue Arrow affair first came to light.

Mr Webber said that Pifco had considered restricting the share structure, which analyst believe is partly responsible for restricting the company's price earnings ratio to 8, assuming pre-tax profits of £3.3m in the current year.

Pifco beats City expectations

By John Riddling

PIFCO HOLDINGS, the manufacturer of small electrical appliances including hair-driers, toasters and torches, yesterday announced pre-tax profits of £2.65m for the year to April 30, an increase of 41 per cent over the comparable period.

The results exceeded expectations and shares rose sharply - the ordinary from 83p to 412p and the limited-voting A shares from 24p to 55p. The improvement largely reflected an improvement in margins, which rose from 9.5 per cent at the operating level to 11.8 per cent. Turnover increased 9 per cent to £20.65m.

Mr Michael Webber, chairman, said that the improved margins reflected rationalisation at its Carmen personal

care subsidiary, acquired at the end of 1987. It also reflected the introduction of new products and increased efficiency in warehousing and distribution.

He said that despite the difficult retail market, sales of small appliances were proving resilient and that whereas white goods had seen volumes fall by 5.1 per cent in the 24 weeks to the end of June, small appliances volumes had increased by 1.9 per cent. Pifco said that it was considering a number of acquisitions in the UK and overseas, and that any purchase would probably be financed by debt.

In addition, advertising expenditure on its three brand names - Pifco, Carmen and Salton - would be increased to about £1m in the current year.

Taxable profits were also boosted by an increase in investment income. From £136,000 to £260,000. Earnings per share rose from 35.8p to 52.6p and the final dividend of 7p gives a total for the year of 12p (8.5p).

A one-for-one scrip issue is also proposed to improve the marketability of the shares. Mr Webber said that Pifco had considered restricting the share structure, which analyst believe is partly responsible for restricting the company's price earnings ratio to 8, assuming pre-tax profits of £3.3m in the current year.

However, he said that "we don't believe enfranchising the A shares (which have one-quarter of a vote) is appropriate at the moment."

This announcement appears as a matter of record only

July 1989

Lira 40,000,000,000

Construction and Project Financing

Società Dell'Acqua Pia Antica Marcia Per Azioni

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for the 1990 World Cup Soccer Series

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The undersigned structured, arranged and advised on this transaction.

Project and Leisure Finance Group Security Pacific Bank AG, Frankfurt



Security Pacific Merchant Bank is the business name of Security Pacific National Bank

Minimal acceptance for IEP's Molins bid

IEP, the UK vehicle for Sir Ron Brerley, the New Zealand businessman, has again extended its £38.2m offer for Molins, the cigarette machinery maker, writes Ray Bashford.

Acceptances from shareholders totalling only 9,000 shares have been received for the 190p per share cash offer. IEP has a 29.03 per cent stake in Molins, having built the holding up in a preparation for its first and unsuccessful offer at 300p per share in June 1987.

Chiltern Radio urges no action over offer

Chiltern Radio, the private radio company, yesterday urged shareholders to take no action concerning a partial cash offer from Crown Communications, which is seeking to raise its stake in Chiltern from 8.7 per cent to 28.99 per cent.

Crown Communications, the commercial radio and broadcasting group, announced its £10 per share offer on Monday. Chiltern directors have been unavailable to comment on whether they recommend the offer, but yesterday's statement said that a circular would be sent to shareholders.

Boots raises its holding in Ward White to 29.9%

By Philip Coggan

Boots took its stake in fellow retailer Ward White to 29.9 per cent yesterday as the £90m bid battle between the two major store chains continued.

The retail and pharmaceuticals group has now reached its ceiling for ordinary share purchases in the course of the offer. However, there is no limit on the amount of Ward White's convertible preference shares that Boots can buy. Yesterday it increased its holding in that class of capital to 23.3 per cent.

Ward White continues to reject the Boots offer, which closes on August 22. But last Friday it was forced to abandon hopes of constructing a rival leveraged buy-out deal.

The Ward White group includes Halfords, the automotive parts chain, and Payless, the DIY stores.

Suter takes 5.9% stake in US group for \$4m

By Ray Bashford

SUTER, the industrial holding company headed by Mr David Abell, has acquired a 5.9 per cent stake in Sudbury, an automotive parts manufacturer and waste disposal group based in Cleveland, Ohio.

The holding in Sudbury, which is quoted on the Nasdaq over the counter market, was purchased between June 19 and August 11 this year for \$4.2m (£2.7m).

Mr Abell met executives from Sudbury socially three years ago when the possibility of an association between the companies was discussed.

Since then the company's shares have fallen sharply and the Suter stake was bought at between \$5.25 and \$5.725 per share. Mr Tony Payton-Walsh, Suter company secretary, said they were bought as "a potential recovery situation" and there were "no specific intentions" with the holding.

Sudbury followed a highly acquisitive programme until midway through last year when it was forced to dispose of several companies in an attempt to lower its gearing.

In the year to June 30 1988 Sudbury returned turnover of \$600m. However, Mr Payton-Walsh expects this to be "considerably" lower this year reflecting the sale of the businesses which have taken place during the past 12 months.

The company had made over 30 takeovers before the disposals took place. Before the disposals, 40 per cent of sales came from the automotive parts operations and between 15 to 20 per cent came from waste disposal businesses.

Tha decision to slow the company's pace of expansion was accompanied by senior executive changes.

Rea Bros rises 44% to £575,000

A 44 per cent improvement in pre-tax profits, from £300,000 to 575,000, was reported by Rea Brothers Group for the six months ended June 30.

The interim dividend is maintained at 0.25p payable from net earnings of 0.94p (1.18p) per share. Tax took £205,000 (£63,000 credit).

DIVIDENDS ANNOUNCED

Table with columns: Current payment, Date of payment, Current dividend, Total dividend, Total last year. Rows include EFT, First Scot Amer, Pifco, Rea Brothers, USDC Inv Trust.

Dividends shown hence per share net except where otherwise stated. Equivalent after allowing for scrip issue. 10n capital increased by rights and/or acquisition issues. \$USM stock. \$9Unquoted stock. \$Third market.

BOARD MEETINGS

Table with columns: Company Name, Date, Location. Rows include various companies like National Westminster, etc.

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TRIANGLE TRUST plc THE MAYFLOWER CORPORATION plc

2,699,513 Ordinary Shares of 20p each at 77p per Share by SHEARSON LEHMAN HUTTON SECURITIES and RIGHTS ISSUE of up to 5,633,820 Ordinary Shares of 20p each at 77p per Share in connection with the proposed acquisition of Timeslow (RPLM) Limited.

Following completion of the acquisition of Timeslow (RPLM) Limited, Triangle and its subsidiaries will constitute a group comprising manufacture, security and distribution and financial and marketing services. Listing Particulars relating to Triangle are available in the statistical services of Eotol Financial Limited and copies of the Circular and Draft Listing Particulars issued by Triangle to Shareholders on 29th July 1989 and of the Listing Particulars may be obtained during normal business hours up to and including 18th August 1989 from the Company Announcements Office, The Stock Exchange, 45-50 Hound Square, London EC2A 1DD and during normal business hours on any weekday (Sundays and Public Holidays excepted) up to and including 30th August 1989 from Triangle's registered office at Lamb Mill, Droyden, Manchester M33 7LD and from: Shearson Lehman Hutton Securities One Broadgate London EC2M 7AH

UK COMPANY NEWS

Lookers heads south with £14.7m SMAC purchase

By Clare Pearson

LOOKERS, the Manchester-based car dealer, is making a £14.7m...

Woodchester Investments, Lookers' 28.8 per cent shareholder, has undertaken to take up its entitlement under the rights issue...

brings new franchises such as Rolls-Royce.

Lookers is forecasting pre-tax profits of at least £6.8m in the year to end-September, against £5.2m last time.

SMAC made pre-tax profits of £1.44m on sales of £53.2m in the year to end-December 1988.

It said in April that strong demand was continuing, apart from in the market for second hand executive cars, which had seen some slowdown.

Metamorphic Miss World will have to look abroad

By Philip Coggan

STEP ASIDE, Miss World. Step forward, Trans World Communications.

Lovers of the annual parade of pulchritude can rest easy. The World Communications company is changing its name after six years on the Unlisted Securities Market.

Despite its venerable age (38 this year), the contest retains its ability to provoke feminists, and many others besides.

Mr Oyston denied yesterday that Trans World Communications was too grand a name for a company with radio interests stretching all the way from Preston to Cardiff.

"We have to look abroad" he said, pointing out that Independent Broadcasting Authority restrictions prevent the group from expanding its UK radio interests any further.

The change of name to Trans World reflects the arrival of Mr Owen Oyston's Red Rose Radio company, which merged with Miss World, founded by Mr



Eric Morley, in 1988. The combined group then launched a successful bid for Piccadilly Radio, the Manchester-based radio station and radio now constitutes the bulk of the company's business.

Mr Oyston denied yesterday that Trans World Communications was too grand a name for a company with radio interests stretching all the way from Preston to Cardiff.

"We have to look abroad" he said, pointing out that Independent Broadcasting Authority restrictions prevent the group from expanding its UK radio interests any further.

Kembrey brews £4m rescue of SI with reverse takeover

By Andrew Hill

KEMBREY Group, a private machinery trader and manufacturer of engineering components, is to reverse into the troubled SI Group as part of a £4m rescue plan.

SI, which makes cooling equipment for brewing and catering, will more than double its share capital with the issue of 40m new ordinary shares, worth 24m, to Kembrey.

The private company will hold nearly 69 per cent of the enlarged SI.

On the third anniversary of the deal, SI will also issue up to 500,000 redeemable preference shares.

Because of the size of the deal, SI shares have been suspended at 10p until the proposals have received shareholder approval.

The group - which has already closed two subsidiaries - was hit by uncertainty and a downturn in business following the Monopolies and Mergers Commission report which recommended the sale of tied houses by its major brewing customers.

Then, at the beginning of last month, it revealed that pre-tax losses had more than doubled in 1988 from £28,000 to £896,000. In addition, its accounts had been qualified.

turnover and margins and increase net assets per share. In the 11 months to May 31, Kembrey reported a profit of £315,000 before tax on sales of £6.81m.

Mr Robert Burns and Mr Michael Cleary, respectively Kembrey's chairman and managing director, will become deputy chairman and managing director of the enlarged SI.

Mr Allen Standley, one of Kembrey's non-executive directors and a partner in Schroder Venture Advisers, will also join the board.

Mr Eddie Johnson and Mr Michael Pritchard are to resign as non-executive directors of SI.

Fields of South Africa. RTZ said the shareholdings had been sold in line with its policy of having wholly-owned subsidiaries or management control of its investments whenever possible.

Analysts expect that among the next former BP asset to be sold by RTZ will be a 30 per cent stake in Orx, a world-class mine also in the Orange Free State and developed by Gencor which has a 52 per cent interest.

At current market prices, RTZ's holding in Oryx is worth about £62m.

ATP seeks holder's identity

By Vanessa Houlder

ATP COMMUNICATIONS Group, the USM-quoted advertising agency formerly known as Moss Trust, is trying to discover the identity of Capital Corporation, a shareholder that has raised its stake from 16.7 per cent to 19.5 per cent of the company.

Cancel this week bought a further 315,114 shares through its acquisition of Morningstar, another shareholder in Moss Trust.

Mr Andrew Thirkill, ATP chief executive, said it had issued on July 10 notices under Section 212 of the Companies Act to find the identity of the shareholder, but had not yet received a response.

At yesterday's annual meeting, Mr Thirkill said that management accounts for the first quarter of the financial year indicated a return to profitability, with contributions being made by all the subsidiaries

that are to be retained. Borrowings, which stood at £1.96m on June 30, have fallen to below £900,000, after taking into account the proceeds of the sale of Ash Gupta, a former subsidiary.

He added that the company has continued to win new business, particularly at ATP Advertising and Marketing in Leeds, where new billings for the current year are forecast to exceed £2m.

All-round growth lifts EFT 36%

EFT GROUP, the former Edinburgh Financial Trust, yesterday reported progress across its range of financial services in the six months to June 30 1989.

Mr Peter Stevenson, chairman, said that the issuing house division registered fee income higher than in any previous six month period, while the asset finance side increased net outstanding receivables to

£25.3m. An improved contribution to profits came from investment management, which also made progress with its managed exempt pooled pension fund.

Pre-tax profits, including results of Stevenson Trust from its acquisition in January, amounted to £712,000 - an increase of 36 per cent on the previous year's £522,000. Revenue expanded 60 per cent to

£3m (£1.87m). After tax at 28 per cent (20 per cent) amounting to £197,000 (£107,000), earnings per share were 1.52p (1.55p). The interim dividend is raised 50 per cent to 0.3p.

An extraordinary £415,000 (£142,000) credit related mainly to a gain arising from disposal of EFT's interest in freehold property in the course of a sale and leaseback transaction.

Corporate restructuring in mind at Parkfield

By Philip Coggan

MR ROGER FELBER, chairman of Parkfield, the multi-conglomerate, commented at the group's annual meeting yesterday on rumours of a major corporate restructuring.

"Clearly this speculation, and it is no more than speculation," said Mr Felber, "has arisen through certain outside parties having come to the conclusion that the value of the constituent parts of the group

is considerably in excess of our current share price." "Your board has been aware of this fact for some time and we have, of course, been considering this situation and all of its ramifications," he added.

Parkfield has built up its entertainment division in recent years and is frustrated that its market rating remains closer to the engineering than to the media sector.

Whitegate Leisure turns in £33,000

Whitegate Leisure, the acquisition vehicle of Mr Nick Oppenheim and Mr James Naylor which came to the Third Market in November, yesterday unveiled maiden interim figures covering the six months to July 2 1989.

On turnover of £2.4m, pre-tax profits amounted to £33,000. The outcome was struck after administrative expenses of £714,000 and interest receivable of £238,000. Earnings per share were 0.07p.

Whitegate is engaged in the operation of residential and nursing homes, discotheques and related leisure industries.

French expansion for FKB

FKB Group, the sales promotion and marketing company, is acquiring 75 per cent of Caramel, a Paris-based sales promotion agency, for an initial cash payment of FFr 3m (£2.9m).

The purchase has a potential maximum consideration of FFr 15m, pegged in part to Caramel achieving profit targets during the years to end-March 1990.

FKB also has an option to purchase the outstanding 25 per cent based on the average after tax profits of the French company during the two years ending March 1994.

The option is exercisable from April 1 1994 with a maximum consideration of FFr 7.75m. Caramel's clients for its marketing consultancy, graphic design, direct marketing and promotions services include Nestlé, Buitoni and Gillette.

purchase the outstanding 25 per cent based on the average after tax profits of the French company during the two years ending March 1994. The option is exercisable from April 1 1994 with a maximum consideration of FFr 7.75m.

Caramel's clients for its marketing consultancy, graphic design, direct marketing and promotions services include Nestlé, Buitoni and Gillette.

Monument Oil and Gas doubles to £2.56m

FOR THE half year ended June 30, Monument Oil and Gas, a USM-quoted exploration and production company, announced doubled pre-tax profits of £2.56m compared with £1.22m.

Last year's figures were restated to take account of the acquisition of Fina Petroleum Mizra at the end of the year. A loss of £36,000 was reported at the time.

Turnover advanced to £9.2m (£4.7m). Operating profits came through at £1.65m (£1.04m), reflecting both the inclusion of the interests in the Thistle and Forties fields and the relatively strong sterling oil prices during the first half.

Cash balances stood at £10.7m at the half year end. Tax took £551,000 (nil) to leave earnings per share of 0.8p (0.49p).

Racal Telecom buys £7m stake in Martin Dawes

By Hugo Dixon

RACAL TELECOM is paying £7m cash for a 50 per cent stake in Martin Dawes Communications, Britain's leading independent cellular service provider.

Martin Dawes Communications owns and operates all the mobile communications businesses of the Martin Dawes Group.

It has 49,000 cellular subscribers and an annual turnover of about £50m, but is not making a profit because of its rapid rate of growth - about 60 per cent a year.

The £7m will help the company pursue its expansion strategy and enable it to become more aggressive. "We haven't really been aggressive yet," said Mr Martin Dawes, the group's founder and majority owner.

NOTICE OF REDEMPTION To the Holders of Ford Motor Credit Company

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the Fiscal Agency Agreement entered into on October 1, 1984 between Ford Motor Credit Company (the "Company") and The Chase Manhattan Bank, N.A. (the "Fiscal and Paying Agent")...

Campbell & Armstrong clarification

Campbell & Armstrong points out that the statement by Professor Roland Smith, chairman, at last week's annual meeting was not a profit warning.

Exploration Louisiana slips

The Exploration Company of Louisiana, an oil and gas exploration and production group, announced net income of \$195,000 (\$124,000) for the three months to June 30 1989, down from \$761,000.

For the first six months of the current year net income was down from \$1.45m to \$748,000 on total revenue of \$2.08m (\$1.97m).

The company attributed the decline to higher costs incurred through increased exploration activity.

BRASWAY has purchased

BRASWAY has purchased Sundon Tube and Section for £185,000 cash, including settlement of associated company debt.

BREMHILL INDUSTRIES has paid an initial £108,000 cash for Munro Interiors, maker and retailer of kitchen and bedroom furniture. In 1988 it made operating profits of £197,000 on turnover of £2m. Further consideration is related to profits.

GENERAL ACCIDENT has acquired Gilliland Holdings, an estate agent with three offices in and around London.

GOODMAN GROUP is paying £186,000 for four Manchester-based outlets of West Coast Video Enterprises.

GUIDEHOUSE GROUP has conditionally agreed to acquire Fitzgrade, a London-based insurance broker, for a maximum £550,000.

HUGHES FOOD Group has acquired Tourelle Marée (Gaspé), a Quebec-based group, for 275,000 ordinary shares.

COMPANY NEWS IN BRIEF

holdings in SBJ Non-Marine Reinsurance Brokers, its non-marine reinsurance broking subsidiary. The total consideration will be £521,310 satisfied by a cash payment of approximately £25,000 and the issue of 298,000 shares. The deal is subject to the approval of Transrap shareholders.

GRANVILLE SPONSORED SECURITIES

Table with columns: High/Low, Company, Price, Change, Div (p), % Yield, P/E. Lists various securities like Am. Brt. Ind. Ord., Am. Brt. Ind. Ord., etc.

RETAILING

The Financial Times proposes to publish a Survey on the above on 12th September 1989. For a full editorial synopsis and advertisement details, please contact: Jonathan Wallis on 01-873 3565 or write to him at: Number One, Southwark Bridge London SE 9HL.

Notice of Redemption To the Holders of Monsanto Company

NOTICE IS HEREBY GIVEN that, pursuant to Paragraph (4) of the above-described Notes ("Notes"), all of the outstanding Notes will be redeemed on September 11, 1989 ("Redemption Date") at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the Redemption Date (for a total payment of \$5,310.10 per \$5,000 principal amount of the Notes).

COMMODITIES AND AGRICULTURE

CAP reform and drought boost rapeseed prices

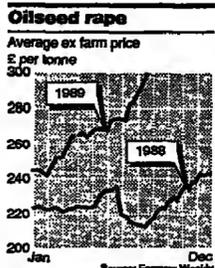
By Bridget Bloom, Agriculture Correspondent

THE COMBINATION of lack of rain and successful European Community budget reforms have pushed up EC oilseed rape prices by more than 30 per cent compared with last year.

Although some weakening in prices was reported yesterday, East Anglian farmers have been receiving up to £300 a tonne for September delivered rapeseed compared with about £225 a year ago.

October and November deliveries have been fetching £303 and £306 a tonne compared with £228 and £230 for the same positions last year.

These marked increases stem from lower plantings in the UK and France, the EC's principal rapeseed producers, mainly due to the so-called budget stabiliser which last autumn lowered EC guaranteed prices by nearly 8 per cent.



Source: Farmers Weekly

950,000 and 1m tonnes compared with just over 1m tonnes last year.

According to trade estimates, the Community harvest is likely to be between 4.7m and 4.9m tonnes, compared with just under 5.3m tonnes last year.

Nectarines lead EC stone fruit league

By Tim Dickson

THE EUROPEAN Commission is forecasting that the 1989 harvest of stone fruit will be slightly higher than last year.

At about 2.78m tonnes peach production looks like exceeding the five year average by roughly 3 per cent. Whereas Greek and Italian output has changed little in the last 12 months (540,000 tonnes and 1.65m tonnes), the harvests in

Sam's doggedness pays off in Brussels

By Tim Dickson in Brussels

MR Peter Pooley - the man responsible for buying and selling the European Community's vast farm surpluses for much of the 1980s - is leaving one of the toughest jobs in Brussels to take up an appointment in the EC department dealing with Third World trade.

The move, confirmed "in principle" by the European Commission just before the summer break, will be seen by many as marking the end of an era in EC agricultural policy.

He has stoutly defended the success of the CAP against often ill-informed ridicule, tirelessly preached the need to get surpluses under control, and emerged in recent years as one of the chief architects of reform, being a patient negotiator and author of many a late night or weekend speech in the EC's Farm Council.

Shortage strains Indian tea sales

K K Sharma looks at the dilemma a production shortfall is causing

THE INDIAN Government is resisting the increasing pressure to cut tea exports from out of the recent rise in domestic prices.

In the first five months of this year production was down by 26.35m kg, or nearly 16 per cent, from the corresponding 1988 period. However, exports are to be maintained because the country's deteriorating balance of payments requires an increase in hard currency earnings.

The pressure to keep more tea back for the home market is growing because general elections must be held within six months and many politicians feel the surge in domestic prices can only be restrained by increasing supplies.

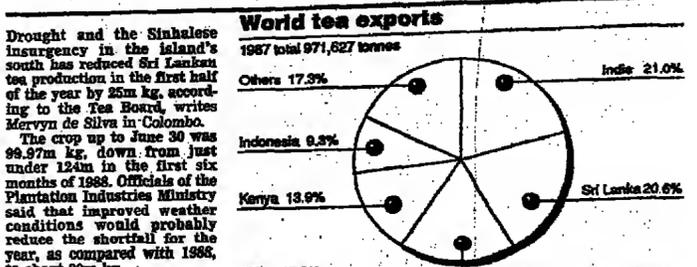
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Source: International Tea Commission

In north India production will have been made up in subsequent months.

The Ministry of Commerce, which looks after tea production and is facing pressure to cut exports, says that Indian tea production has been rising in the past few years and is estimated to have reached a record 700m kg in 1988.

Also being implemented are schemes for tea area rejuvenation and consolidation, replanting and special loans for extension of tea cultivation to non-traditional areas.

India remains the biggest tea exporter but these exports have been stagnating both in volume and value in the past few years.

prices as the Indian currency has depreciated considerably in the past few years.

Early estimates put this year's January-May exports at 49.77m kg, compared with 59.14m kg in the same period last year, an indication that Indian bulk teas are being priced out of the market.

Norway puts fish farming on hold as oversupply hits prices

By Karen Fosell in Oslo

NORWAY'S MINISTRY of Fisheries has postponed indefinitely the country's next concession round for fish farming to prevent further production being introduced into an already over-supplied market.

In recent years Norway's fish farming capacity has grown faster than its markets. Last month an official with the Fish Farmers' Sales Organisation warned fish farmers that they would have to impose self-regulation of annual salmon production volumes to keep in step with slower market growth.

production volumes have not yielded greater profitability for Norway's fish farmers for prices per kilogram of salmon exported have steadily declined.

He suggested an appropriate rate would be about 10 per cent a year, which would give a production increase of between 300,000 and 400,000 tonnes by the year 2000.

TALKS AIMED at ending a 5-week-old strike at Highland Valley Copper, Canada's biggest copper producer, remain deadlocked, the company said yesterday, reports Reuters from Vancouver.

The British Columbia mine, which annually produces 425,000 tonnes of concentrates containing 170,000 tonnes of copper, is half-owned by Cominco.

Other partners are Rio Algom, The Corporation and Highland Valley Mining.

Mr Paul Hansen, the company's president, said no date had been set for a resumption of talks, which broke off last week, because of "excessive wage demands and monetary demands" by the United Steelworkers of America, which represents 1,200 workers at the mine.

Mr Hansen said he did not expect the contract dispute to be settled before the end of this month.

WEEKLY METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market, 99.6 per cent, \$ per tonne, in warehouse, 1,690-1,760 (1,735-1,800).

SELENIUM: European free market, 99.5 per cent, \$ per lb, in warehouse, 4.50-5.40 (5.00-5.80).

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) W.O. cif, 45-62 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

TIN PRICES continued under pressure on the London Metal Exchange yesterday, reflecting further weakness in the Kuala Lumpur market.

At 10.15 am tin prices were 110.00 for the cash position, still closed \$105 down on balance at \$8,610 a tonne, the lowest closing level since the re-launch of the contract at the beginning of June.

SPOT MARKETS: Crude oil (per barrel FOB) 29.80, 29.80, 30.00, 29.70, 29.70.

Other: Gold (per troy oz) 358.50, Silver (per troy oz) 524.00, Platinum (per troy oz) 843.20.

CRUDE OIL: August 19.88, 19.88, 19.96, 19.82, 19.82.

COCAOA: September 2342, 2342, 2342, 2342, 2342.

Table with columns: Commodity, Previous, High/Low. Includes Tin, Copper, Lead, Zinc, Nickel, Aluminium, and various oils.

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RURAL DEVELOPMENT. The Financial Times proposes to publish this survey on 22 SEPTEMBER 1989. For a full editorial synopsis and advertisement details, please contact: ALISON BARNARD on 01-873 4148.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for 'OTHER UK UNIT TRUSTS' and 'INSURANCES'.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for 'OFFSHORE AND OVERSEAS' and 'GUERNSEY (SIB RECOGNISED)'.

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FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service listing various unit trusts, their managers, and performance metrics.

LONDON SHARE SERVICE

Table of London Share Service listing various funds, including British Funds, Foreign Bonds & Rails, and American funds, with their respective prices and yields.

Handwritten note: "Just in time"

Money Market Trust Funds
Money Market Bank Accounts
UNIT NOTES
Prices are in pence unless otherwise stated.

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-625-2128

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for High, Low, Stock, Price, and % Change.

BUILDING, TIMBER, ROADS

Table listing Building, Timber, and Roads stocks with columns for High, Low, Stock, Price, and % Change.

DRAPERY AND STORES - Contd

Table listing Drapery and Stores stocks with columns for High, Low, Stock, Price, and % Change.

ENGINEERING

Table listing Engineering stocks with columns for High, Low, Stock, Price, and % Change.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for High, Low, Stock, Price, and % Change.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for High, Low, Stock, Price, and % Change.

CANADIANS

Table listing Canadian stocks with columns for High, Low, Stock, Price, and % Change.

BANKS, HP & LEASING

Table listing Banks, HP & Leasing stocks with columns for High, Low, Stock, Price, and % Change.

ELECTRICALS

Table listing Electricals stocks with columns for High, Low, Stock, Price, and % Change.

FOOD, GROCERIES ETC

Table listing Food, Groceries etc stocks with columns for High, Low, Stock, Price, and % Change.

INSURANCES

Table listing Insurance stocks with columns for High, Low, Stock, Price, and % Change.

INDUSTRIALS (Misc.)

Table listing Industrial (Miscellaneous) stocks with columns for High, Low, Stock, Price, and % Change.

BEERS, WINES & SPIRITS

Table listing Beers, Wines & Spirits stocks with columns for High, Low, Stock, Price, and % Change.

CHEMICALS, PLASTICS

Table listing Chemicals, Plastics stocks with columns for High, Low, Stock, Price, and % Change.

DRAPERY AND STORES

Table listing Drapery and Stores stocks with columns for High, Low, Stock, Price, and % Change.

HOTELS AND CATERERS

Table listing Hotels and Caterers stocks with columns for High, Low, Stock, Price, and % Change.

INDUSTRIALS (Misc.)

Table listing Industrial (Miscellaneous) stocks with columns for High, Low, Stock, Price, and % Change.

BUILDING, TIMBER, ROADS

Table listing Building, Timber, and Roads stocks with columns for High, Low, Stock, Price, and % Change.

HIRE PURCHASE, LEASING, ETC

Table listing Hire Purchase, Leasing, etc stocks with columns for High, Low, Stock, Price, and % Change.

INDUSTRIALS (Misc.)

Table listing Industrial (Miscellaneous) stocks with columns for High, Low, Stock, Price, and % Change.

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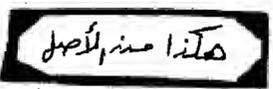
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LONDON SHARE SERVICE

Latest Share Prices are available on FT Cyteline. To obtain your free Share Code Booklet ring the FT Cyteline help desk on 01-925-2123

LEISURE table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Leisure Group, Leisure World, etc.

PAPER, PRINTING, ADVERTISING - Contd table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Newsprint, Advertising, etc.

TEXTILES - Contd table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Textiles, etc.

TRUSTS, FINANCE, LAND - Contd table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Trusts, Finance, Land, etc.

OIL AND GAS - Contd table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Oil and Gas, etc.

MINES - Contd table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Mines, etc.

MOTORS, AIRCRAFT TRADES table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Motors, Aircraft, etc.

PROPERTY table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Property, etc.

TOBACCO table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Tobacco, etc.

TRANSPORT table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Transport, etc.

OVERSEAS TRADERS table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Overseas Traders, etc.

THIRD MARKET table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Third Market, etc.

NEWSPAPERS, PUBLISHERS table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Newspapers, Publishers, etc.

SHOES AND LEATHER table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Shoes and Leather, etc.

TRUSTS, FINANCE, LAND table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Trusts, Finance, Land, etc.

OIL AND GAS table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Oil and Gas, etc.

MINES table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Mines, etc.

REGIONAL & IRISH STOCKS table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Regional and Irish Stocks, etc.

PAPER, PRINTING, ADVERTISING table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Paper, Printing, Advertising, etc.

SOUTH AFRICANS table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like South Africans, etc.

TEXTILES table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Textiles, etc.

OIL AND GAS table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Oil and Gas, etc.

MINES table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Mines, etc.

TRADITIONAL OPTIONS table with columns for Stock, Price, %Ch, Div, Yld, P/E. Includes companies like Traditional Options, etc.

NOTES: Stock Exchange dealing instructions are indicated to the right of security names... Includes details on dividends, interest, and other financial metrics.

REGIONAL & IRISH STOCKS: The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency. Includes a list of companies and their prices.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar cautiously firmer

THE DOLLAR continued to edge higher yesterday but the extent of the improvement was restricted by fears of central bank intervention. Investors were also adopting a slightly more cautious stance ahead of tomorrow's release of US trade figures for June.

The US unit opened in London on a slightly firmer note in relatively subdued trading but investors were wary of extending long positions after intervention in Tokyo by the Bank of Japan.

Despite the mood of caution, the dollar attracted sufficient demand to break through resistance at DM1.9450 but just fell short of moving above the DM1.9500 level.

However, a smaller US trade deficit could provide sufficient impetus to make central bank intervention much less effective.

Forecasts for the June deficit are centred on a \$9bn shortfall against \$10.2bn in May, but estimates vary widely, from between \$6bn and \$10bn.

The dollar closed at DM1.9465 from DM1.9385 and Y142.15 compared with Y141.60.

Elsewhere, it rose to SF1.6775 from SF1.6755 and FF8.5775 from FF8.5475. According to the Bank of England, the dollar's exchange rate index fell to 71.0 from 71.1.

The day's lows were touched after comments by a US official predicting a rise in the US current account deficit over the next year. In New York, the dollar showed little reaction to early reports of a sharp rise in US car sales in the first 10 days of August.

Indications of a stronger than expected rate of economic growth would reduce the chances of a further decline in US interest rates.

Sterling lost ground to the stronger dollar and was also weaker against the D-Mark and other members of the European Monetary System.

The Bank of England sold dollars during the afternoon at around the \$1.5780 but after a brief pause the pound continued to lose ground.

Part of the decline reflected the shift into dollars, but dealers were also adopting a cautious approach ahead of the release today of June industrial production which includes manufacturing output.

Further indicators are due for release tomorrow, with most attention focused on the rate of increase in average earnings in July. There were also renewed calls for a cut in bank base rates towards the end of the year and this may have encouraged some investors to take profits.

However, the majority view still suggests that rates will stay at current levels or higher at least until the end of the year.

The pound's exchange rate index fell to 91.2 from 91.5 on Monday. Against the dollar, sterling fell to \$1.5730 from \$1.5840 and it was also lower in D-Mark terms at DM3.0625 from DM3.0700.

Against the yen, it fell to Y223.75 from Y224.25 and closed elsewhere at SF2.6375 from SF2.6580 and FF10.3475 against FF10.3700.

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Previous day's open total, Cals 120 Puts 000

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Previous day's open total, Cals 120 Puts 000

FINANCIAL FUTURES

Mood grows more pessimistic

THE MOOD on the London financial futures market (Life) became steadily more pessimistic yesterday. December short sterling fell below a technical support point of \$6.90, to a low of \$6.84, before closing at \$6.88 compared with \$6.98 on Monday.

The market was unsettled by news that the Bank of England had intervened to support the pound on the foreign exchanges, giving rise to fears that the recent volume of ster-

ling selling was more than previously supposed. Today's announcement of the July UK public sector borrowing requirement may assume increased importance for the market, after a disappointing borrowing requirement of £70bn in June, and lower than expected supply of gilts in April and May. It was noted that the latest Bank of England quarterly bulletin warned that the PSBR repayment for the present financial

year is likely to be less than the Treasury's forecast of £14bn. City forecasts for the July PSBR repayment are around £12.5bn.

Suggestions that UK interest rates may not fall before the end of the year are having an impact on the December short sterling contract. The next support point is \$6.81 and if this is broken there is no technical support in the market until \$6.58.

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EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Country, Unit, Rate, % Change, etc. Includes Germany, France, Italy, etc.

POUND SPOT - FORWARD AGAINST THE POUND

Table with columns: Term, Rate, % Change, etc. Includes 1 month, 3 months, 6 months, 12 months.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with columns: Country, Rate, % Change, etc. Includes UK, Canada, Japan, etc.

EURO CURRENCY INTEREST RATES

Table with columns: Term, Rate, % Change, etc. Includes 1 month, 3 months, 6 months, 12 months.

EXCHANGE CROSS RATES

Table with columns: Currency, Rate, % Change, etc. Includes DM/\$, DM/£, etc.

OTHER CURRENCIES

Table with columns: Currency, Rate, % Change, etc. Includes Australian, Hong Kong, etc.

FT LONDON INTERBANK FIXING

Table with columns: Bid, Offer, etc. Includes 3 months US dollars, 6 months US dollars.

MONEY RATES

Table with columns: Term, Rate, % Change, etc. Includes Prime rate, 3 month, 6 month.

LONDON MONEY RATES

Table with columns: Term, Rate, % Change, etc. Includes 1 month, 3 months, 6 months, 12 months.

BASE LENDING RATES

Table with columns: Bank, Rate, % Change, etc. Includes ABN Bank, AAB - Allied Arab Bank, etc.

EUROPEAN OPTIONS EXCHANGE

Table with columns: Series, Bid, Offer, etc. Includes Gold C, Gold P.

NEW YORK

Table with columns: Term, Rate, % Change, etc. Includes Treasury Bills and Bonds.

PARIS

Table with columns: Term, Rate, % Change, etc. Includes 1 month, 3 months, 6 months, 12 months.

FRANKFURT

Table with columns: Term, Rate, % Change, etc. Includes 1 month, 3 months, 6 months, 12 months.

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Crossword puzzle grid

AGROSS 1 The jester finding both the British and French deep (6)

PARANOROPHIL MAB CROSSWORD

DOWN 1 Give voice about reversing vehicle, which can be irritating (8)

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Table of stock market data for various countries including Austria, Belgium-Luxembourg, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, Norway, Spain, Sweden, Switzerland, and Taiwan. Columns include stock names, prices, and changes.

CANADA

Table of Canadian stock market data, including Toronto 3pm prices for August 15, and a list of various Canadian stocks with their prices and changes.

INDICES

Table of financial indices including New York Dow Jones, Standard and Poor's, and various international indices like the Nikkei and Hang Seng.

Table of stock market data for various countries including Austria, Belgium-Luxembourg, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, Norway, Spain, Sweden, Switzerland, and Taiwan. Columns include stock names, prices, and changes.

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3pm prices August 15

Main table of stock prices with columns for stock name, price, and change. Includes various sectors like utilities, chemicals, and transportation.

Continued on Page 35

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Handwritten text: "Handwritten text at the top of the page, possibly a signature or date." (Note: The text is illegible due to handwriting.)

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices. Columns include Stock, Div., High, Low, Last, and Change. Lists various stocks such as AIG, AIGP, AIGH, etc.

Small text block providing market commentary or data related to the NYSE prices.

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AMERICA

Hopes of further falls in interest rates boost Dow

Wall Street

RENEWED hopes that interest rates would continue to decline helped US equities recover yesterday from their recent losses in fairly quiet trading, writes Karen Zagor in New York.

New York late on Monday. The dollar held firm in spite of reported intervention by the Bank of Japan and the Federal Reserve to try to halt the advance of the US currency.

Whirlpool plunged 11% to \$30.75 after reports that an analyst at First Boston downgraded the company's rating to "sell".

In over-the-counter trading, Ashton Tate fell 1/2% to \$13.37 after the company said it expected third quarter operating losses to exceed the \$18.5m loss in the second quarter.

Sea Containers, the marine cargo containers company, leapt 1/4% to \$27.75 after receiving a sweetened takeover offer of \$22 a share from Stena of Sweden and Tishook of the UK. The previous joint bid was \$20-a-share.

A number of blue chips gained in the early afternoon. Ford Motor rose 1/2% to \$51.1/4, Exxon, 1/4% to \$44.1/4 and Coca Cola 1/4% to \$66. Among declining blue chips IBM was down 1/4% to \$115.3/4, Philip Morris fell 1/4% to \$158.3/4 and Bristol Meyers dropped 1/4% to \$47.1/4.

Canada

STOCKS were in slow retreat in Toronto in the morning session and by 1 pm the composite index had slipped 2.56 to 3991.71, declines leading advances 278 to 186 on volume of 19m shares. Golds saw upward activity in spite of weaker hulkion prices in New York.

Corona shed 1/4% to C\$8.3/4 after strong rises in the last few days, prompted by a Supreme Court of Canada ruling awarding it the rich Papua-Williams gold mine.

Falconbridge rose 1/4% to C\$39.3/4.

Takeover II hits Toronto's trading screens

The sequel to January's bid fever is drawing crowds of investors, writes David Owen

WITH so many movie sequels filling the summer screens this summer, it seems appropriate that Canadian stock markets are also witnessing a popular repeat performance.

Takeover Fever II follows the runaway success of its forerunner early in the year. That featured almost C\$10bn (US\$8.5bn) of Canadian corporate assets, which changed hands in the space of 10 hectic January days. By mid-February, the Toronto Stock Exchange's composite index was up almost 9 per cent from its mid-1988 level to a formidable box office smash.

This time, the index has been propelled - so far, fleetingly - beyond the 4,000 level to within striking distance of its all-time high: 4,118.94 set on August 14, 1987, or almost exactly two years ago.

It closed on Monday at 3,994.27 - just over 2 points lower on the day. With takeover gossip still rife and the Canadian market having underperformed New York by a substantial margin over the

past 12 months, the increasingly euphoric bulls believe that the momentum instilled by the announcement of one more large deal could carry Toronto to a record.

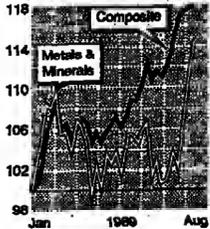
The most recent focus of takeover interest has been the mining sector, with the bidding war for Falconbridge, a diversified base-metal miner and the western world's second-largest producer of nickel, assuming centre-stage.

Noranda, Canada's largest natural resources company, and Amax, a US-based mining group, have joined battle for Falconbridge's hand. Noranda, the company controlled by the Bronfman family of Toronto, currently holds the edge, having teamed up with Sweden's Trellberg to launch a C\$37-a-share cash bid.

The tussle for Falconbridge appears to have fostered the realisation that few, if any, Canadian mining groups are big enough to be safe from predators, and that many of their peers are flush with cash after an extended period of buoyant metals markets. Alcan

Toronto

SE price indices



Aluminium, Inco and Placer Dome have all traded heavily in recent days, with Inco, which some months ago gave shareholders an extraordinary 10% dividend in an attempt to protect its independence, hitting a new 52-week high.

Toronto's metals and minerals sub-index is up 33.3 per cent from a year ago, versus a 21.6 per cent increase over the same period for the composite index as a whole.

This ranks it ahead of all but communications & media (up 40.1 per cent) and consumer products (up 36.1 per cent) for performance over the period in question. Both these sub-groups were similarly buoyed by takeover rumours and activity earlier in the year.

Some observers, however, pin their hopes of a Toronto record not on takeover deals, but on an about-turn in the slovenly gold market. Toronto's gold and silver sub-index has risen a paltry 1.5 per cent in the last year. The sickly bullion market has also scuppered immediate hopes of a recovery at the ailing Vancouver Stock Exchange, which depends heavily upon small gold mining issues. Despite Monday's 2.6-point gain to 731.59, the VSE index has fallen by a sharp 22 per cent in a year.

Just as the plots of movie sequels are often less meaty than the originals, the recent trading excitement in Toronto was originally sparked by a still unsubstantiated rumour, rather than a definite deal.

It was a whale of a rumour,

however. It conformed in a nutshell that Canadian Pacific, erstwhile backbone of the domestic economy and still the country's second largest conglomerate, was about to be subjected to a foreign-backed takeover bid.

Such a story could not fail to receive the oxygen of widespread publicity: this was guaranteed by the symbolic importance of the alleged target and the average Canadian's well-known sensitivity to the already high level of foreign ownership of domestic business assets. But it was also gloriously plausible. Canadian Pacific is precisely the sort of unwieldy, multi-faceted conglomerate deemed to be ripe for "unbundling" in this era of corporate specialisation on a global scale.

The net result was that the Montreal-based company's stock price surged by 22 per cent in July, before the rumour subsided. Shortly afterwards, the group revealed that second quarter profits had tumbled more than 40 per cent from levels a year earlier.

ASIA PACIFIC

Index buying by foreigners leads recovery

Tokyo

INDEX-LINKED buying in Tokyo erased any negative sentiment caused by the year's continued decline against the dollar and the market closed higher for the first time in four sessions, although volume was thin, writes Yuriko Mita in Tokyo.

Share prices opened slightly higher but were quickly turned down and the market hit its lowest point of the day at 34,631.84. The weaker yen encouraged the wait-and-see mood. However, index buying by foreign brokerage firms lifted the market.

Sentiment was dampened a little by profit-taking and by the wait for various US economic reports, but the Nikkei average still finished up 139.07 at 34,810.66, close to the day's high of 34,812.94.

Advances led declines by 499 to 365 with 215 issues unchanged. Volume, although still restricted by the holiday period, was slightly higher than Monday's 41m shares at 415.5m. The Topix index of all-listed shares inched up 0.36 to 2,633.33 and, in London trading, the ISE/Nikkei 50 index added 0.98 to 2,109.70.

Leading steel issues rose across the board. Rumours circulated that life insurance firms and trust banks, which are vying for contracts to manage the pension funds of the five big steelmakers when private sector pension fund management is opened to competition next April, were buying steel shares to ingratiate themselves with the companies.

International Diets Diagnostics did not climb as high as anticipated, because of the relatively quiet market, the weaker yen and lower bond prices.

Nippon Steel, the most active issue with a volume of 22.55m shares, rose Y13 to Y320. Tokyo Steel, the second most active spot for the second day in a row, rising Y130 to Y5,300 with 14.61m shares changing hands.

Electricals were another investor favourite. Hitachi, which has recently announced that it will produce a 35-inch television set in response to growing domestic demand following a reduction in luxury taxes last April, was the third most active stock.

Analysts commented that many investors chased the issue due to its progress in producing 4-megabit dynamic

random access memory chips. The chip has four times the capacity of the most popular mass produced one. Hitachi rose Y10 to Y1,720 on turnover of 9.15m shares.

Sony, considered to be the leader of high-priced, high technology stocks, surged to a record Y6,900 before slipping back to Y6,880, up Y140 from Monday. The company's profits have been rising rapidly in the past year, and some analysts are optimistic that further strong progress will be revealed in the first quarterly results due to be published later this month.

Pioneer also proved popular. Analysts said the company would record exceptional earnings this year following the liquidation of Warner Pioneer, a music software joint venture. The issue closed up Y140 at Y4,420.

In Osaka, the OSE average rose 126.15 to 34,800.78. Volume reached 63m shares, up from Monday's 59.7m shares. Nintendo, a leading manufacturer of electronic games, was a big

movier, gaining Y1,000, or 5.5 per cent, to Y19,100.

Roundup

THERE was no clear lead for Asia Pacific markets yesterday, so they moved in different directions, with New Zealand and Taiwan hounding back upwards, while Singapore encountered active profit-taking and Australia and Hong Kong marked time.

AUSTRALIA dragged itself through the day as investors waited for the Federal budget announcement yesterday and for today's current account figures for July.

The All Ordinaries index closed 2.1 lower at 1,713.4, after a mid-morning spurt of buying was tempered by institutional selling. Turnover was a moderate A\$260m worth of shares.

Bell Resources featured with a 26 cent climb to A\$1.06 amid speculation that a battle could develop for control of the minority of the company not already held by Bond Corp or Adsteam. The buyers of Bell

are probably interested in the plan under which Bell would buy all Bond's brewing assets, said one analyst. Over 1.7m Bell shares changed hands.

Retailer Coles Myers gained a strong 12 cents to A\$5.94, but Emul, the white goods maker, shed 25 cents to A\$4.40 after announcing a share placement on Monday to raise A\$82.5m.

NEW ZEALAND recovered from four days of consolidation as investors focused on stocks listed both there and in Australia. A slight weakening in the Australian dollar sparked the interest, and the Barclays index gained 20.85 to 2,222.92.

Brierley was the most active stock, rising 8 cents to NZ\$2.31 or 3.16m shares traded. SINGAPORE declined on profit-taking in a busy session. The Straits Times Industrial Index lost 8.39 to 1,571.57 after edging ahead to a post-crash high on Monday.

Turnover was active at 108m shares, but below the previous day's 169m. Malaysian Resources was the most traded stock, falling 3 cents to 84.5

cents on volume of 10.4m shares. Stungel West Mines, which placed a two-for-one bonus issue, eased 30 cents to S\$6.30 after its strong rise in the previous session.

TAIWAN rose sharply as confidence returned after last week's rumour-driven nervousness. The weighted index picked up 215.37, or 2.3 per cent, to 9,225.89 and turnover increased further from Monday's improved level.

HONG KONG had a dull day, with the Hang Seng index ending just 2.2 easier at 2,538.15. Turnover fell slightly to HK\$11m from Monday's HK\$11m.

South Korea was closed for a holiday.

SOUTH AFRICA

THE resignation of President P W Botha had been expected by the Johannesburg market, which closed slightly firmer in light and directionless trade.

EUROPE

Sweden seizes limelight as turnover shrinks elsewhere

VOLUME was light throughout Europe yesterday, with the exception of Stockholm, which reached another record high in active trading, writes Our Markets Staff. Paris, Milan, Madrid, Brussels and Vienna were closed for Assumption Day.

STOCKHOLM climbed in a busy session, with the knowledge index rising 7.3 to 1,353.2, an all-time high.

Trelleborg, the conglomerate, led the market up following its joint takeover bid with Noranda of Canada for Falconbridge, the Canadian metals group. Trelleborg restricted B shares rose SKr21 to SKr406 and its free B shares climbed SKr22 to SKr415.

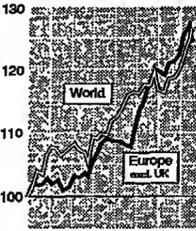
Volvo free B shares rose SKr12 to SKr500, a record high. Ericsson free B shares rose SKr23 to SKr675 following buy recommendations.

FRANKFURT stuck to its downhill path, with share prices declining as profit-taking continued. This kind of falls, however, was still regarded as healthy, following the heavy buying of the market recently.

Disappointing results from Hoechst, the chemical group, dampened sentiment at the outset. The DAX index edged 10.72, or 0.7 per cent, lower at 1,573.65 after falling to 1,563.99. The FAZ index fell below the 650 level, losing 7.34 to 647.10. Turnover was a modest DM3.7bn.

Hoechst lost DM4.30 to DM298.50 after reporting a rise in first half pre-tax profits of 8.3 per cent - below expectations. An analyst said that one reason for the smaller growth than anticipated was that Hoechst has to buy its ethylene, which had put pressure on its profits. He added that this was a problem that should not affect the other big chemical

FT-A World Indices in £ terms



companies, BASF and Bayer, both of which reported six-month figures in the next couple of weeks. BASF eased DM1.50 to DM297.50 and Bayer slipped DM2.50 to DM314.50.

During the current period of consolidation, said the analyst, interest would focus on companies with firm profit outlooks, such as construction, and special situation issues. "People will be sniffing around the edges, looking for smaller stocks."

In the construction sector, Heidelberg Zement gained DM6 to DM650. Deutsche Babcock, the engineering group which is also considered to be an environmental stock because it makes anti-pollution equipment, ended DM1 lower at DM211 earlier.

Feldmühle gained DM7 to DM908 on news that the Federal Cartel Office had no objections to utility Vebs's taking a majority stake. Vebs, which already owns 46 per cent of Feldmühle, shed DM2.20 to DM537.

Retailer Asko fell back after its strong rise on Monday, losing DM1.50 to DM905.50. It has confirmed it is in talks with Ahold of the Netherlands about a possible co-operation.

AMSTERDAM edged upwards in thin turnover. Nervousness about the holidays reached by Dutch stocks, together with yesterday's holidays in other continental bourses and caution about the elections in the Netherlands next month, kept a rein on trading.

The CBS tendency index rose 0.3 to 106.5 after shares picked up in line with a firmer Wall Street start. Selective interest was reported in the local market, where HCS Technology rose 60 cents to F118.30 on buying from the UK.

Among blue chips, NMB bank rose a strong F13 to F127.50 on UK buying and US brokers' recommendations. There were also rumours of a stock split in preparation for the bank's merger with state-owned Postbank.

Other features included steel stock Hoogovens, up F1.60 at F114.50 amid high expectations of its results on August 25. Ahold, the retailer, recovered 60 cents to F137.60 after confirmation on Monday that it was talking to Asko of West Germany.

ZURICH continued to decline in low volume. The market was depressed by interest rate rises and the "dent" in international sentiment, particularly by Wall Street on Friday, said one analyst.

The Credit Suisse index lost 7.7, or 1.2 per cent, to 661.2. OSLO firmed slightly in sluggish trading, with the all-share index 1.34 ahead at 496.87.

HEL SINKI had a quiet day as the United all-share index climbed 1.6 points to 769.1.

FT-ACTUARIES WORLD INDICES

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Table with columns: NATIONAL AND REGIONAL MARKETS, MONDAY AUGUST 14 1989, FRIDAY AUGUST 11 1988, DOLLAR INDEX. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Europe, Nordic, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. US, World Ex. UK, World Ex. SA, World Ex. Japan, World Index.

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